

**ASIM**

## **CORPORATE INSURANCE MANAGEMENT**

**• AN INFORMED BUYER IS A BETTER BUYER**



**AMERICAN SOCIETY OF INSURANCE MANAGEMENT**

We not only get improved fire  
and burglary protection, but...  
**save \$10,000 a year!**

*Herslow*

Vice President



**THE SILLCOCKS-MILLER COMPANY** Maplewood, N. J.  
Established 1910  
CUSTOM FABRICATORS OF ADVERTISING, MERCHANDISING AND  
TECHNICAL SPECIALTIES FOR MODERN INDUSTRIAL MARKETING

protected *Automatically* by **ADT**

Thousands of business executives from coast to coast join Mr. Herslow in endorsing the effectiveness and economy of ADT Automatic Protection Services for safeguarding property, profits and employees' jobs.

Equipped with automatic sprinklers, the Sillcocks-Miller plant is further safeguarded against fire by ADT Sprinkler Supervisory and Waterflow Alarm Service which automatically summons the fire department whenever the sprinkler operates. This service also maintains a constant automatic check on sprinkler shut-off valves and other water-supply conditions that might impair sprinkler operation.

The entire building, including the vault, is protected against burglary by ADT Burglar Alarm Service which automatically summons police in case of unauthorized entry. Temperature conditions are checked automatically by ADT Heating Supervision.

*May we show you what ADT can do for you?*

Whether your premises are old or new, sprinklered or unsprinklered, an ADT specialist will show you how an appropriate combination of ADT Automatic Protection Services can give you better protection than other methods, and *at less expense*. Call our local sales office if we are listed in your phone book; or write to our Executive Office.

Controlled Companies of

**AMERICAN DISTRICT TELEGRAPH CO.**  
A NATIONWIDE ORGANIZATION  
Executive Office: 155 Sixth Avenue, New York 13, N. Y.



**Linda Burke, Editor**  
Eight West Fortieth Street, New York 18, N. Y.

## *We Honor . . .*

Central Ohio Chapter of the American Society of Insurance Management, Inc., bringing to ASIM some of the country's outstanding corporate insurance managers, representing world-famous industries.

Columbus is the third largest city in Ohio, and ranks 28th in population among the cities of the United States. In addition to its vast industry, scientific research in the fields of industry and business is conducted by Ohio State University (8th largest in the U. S.) Battelle Memorial Institute and the Edward Orton Jr. Ceramic Foundation.

At Ohio State University many departments conduct research on many different problems in the chemical, metallurgical, nuclear, physical, electronic and medical fields.

Battelle Memorial Institute specializes in industrial problems. Hundreds of companies throughout the nation turn to Battelle every year. Sponsored research projects have turned up new products, improved old ones, and have led the way to important scientific discoveries.

Central Ohio Chapter, ASIM, is an enthusiastic and dedicated chapter, headed by one of the youngest insurance managers in the United States and Canada, Edward W. Altstaetter . . . (still in his twenties!).

The officers and members of the American Society of Insurance Management, Inc. salute this vigorous chapter with its fine officers and company representatives.

## *About the cover . . .*

The statue of Christopher Columbus, located in the Columbus Civic Center Plaza, Columbus, Ohio — was unveiled on October 12th, 1955, as a gift from the citizens of Genoa, Italy, to the City of Columbus.

## *In This Issue . . .*

	page
Central Ohio Chapter, ASIM .....	3
ASIM Welcomes New Members .....	4
Charter Is Presented to Central Ohio Chapter .....	6
by Charles H. Thiele	
The Role of Competition in Insurance Rate Making .....	8
by Donald P. McHugh	
How Far Should Safety Go? .....	10
by Ralph M. McDermid	
Valuation for Insurance Purposes .....	12
by W. M. Young	
Deductible Fire Insurance .....	14
by A. L. Chavennes	
Northern California Chapter One-Day Seminar — PROGRAM .....	30 & 31
ASIM Semi-Annual Meeting — "Welcome" .....	51
"In Memoriam" for Lulamae Clore .....	52
Officers of ASIM .....	53
Chapter Directory .....	54 & 55
Roster of Company Members .....	56, 57, 58, 59, 60

The National Insurance Buyer, published bi-monthly as the official publication of The American Society of Insurance Management, Inc., 8 West 40th Street, New York 18, New York. Linda Burke, Editor. Copyright 1959 by the American Society of Insurance Management, Inc. Subscription \$5.00 a year. Advertising rates on request.



## He's On Your Staff—But Not Your Payroll

This man is a J&H fire insurance specialist. His personal service to the same manufacturing company through over twenty years of intimate association with the plant and plant management has assured this company continued fire safety and lowest rates.

Of course he does not do this job alone. He has at his disposal J&H specialists in all phases of insurance . . . fire protection engineers . . . rate analysts . . . and claims experts.

Johnson & Higgins gives your company both personal service *and* complete brokerage facilities. And it costs you no more to get the *best* insurance brokerage service.

## JOHNSON & HIGGINS

INSURANCE BROKERS—AVERAGE ADJUSTERS  
EMPLOYEE BENEFIT PLAN CONSULTANTS

63 WALL STREET • NEW YORK 5

Chicago • San Francisco • Los Angeles • Detroit • Cleveland • Philadelphia • Pittsburgh • Buffalo  
Seattle • Wilmington • Minneapolis • Atlanta • Vancouver • Winnipeg • Montreal • Toronto • London  
Havana • Rio de Janeiro • São Paulo • Curitiba • Caracas • Maracaibo • Puerto La Cruz



## Central Ohio Chapter, ASIM

The dream of a chapter of the American Society of Insurance Management, Inc., resulted from a meeting on the Ohio State University campus in September 1958, held under the auspices of Dr. John S. Bickley, Professor of Insurance. A small group of corporate insurance managers met with representatives of ASIM, including Peter A. Burke, Managing Director, and Charles H. Thiele, Regional Vice President.

Later, under the leadership of Dr. Bickley and E. W. (Bill) Altstaetter, Insurance Representative, North American Aviation, Inc., arrangements went forward for a general meeting in December of managers of insurance in central Ohio. Twenty men assembled from Columbus, and as far away as Dayton and Lancaster, to hear an address by Arthur I. Vorys, then Superintendent of Insurance for the State of Ohio.

Warmly received by this group, plans were rushed to completion. The Organization Committee continued to guide the embryo chapter through early 1959 until officers and directors could be elected.

On the evening of March 10, 1959, the Charter Members and their guests gathered at The Desert Inn in Columbus, Ohio, for the charter presentation ceremonies. Returning to Columbus to present Central Ohio Chapter with its charter was Charles H. Thiele of Federated Department Stores, the Regional Vice President. Assisting Mr. Thiele was Mr. A. J. Haberer of Procter & Gamble Company, President of the Cincinnati Area Insurance Managers, ASIM.

In the course of his discussion, Mr. Thiele charged the new chapter



**CHARTER PRESENTATION — CENTRAL OHIO CHAPTER, AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC.** The twentieth chapter of ASIM was established with the presentation of the Charter to the Central Ohio Chapter at a dinner held March 10, 1959, at The Desert Inn, Columbus, Ohio. Shown here from left to right are: Sam Garwood, Director of Insurance, Columbus & Southern Ohio Electric Company, Chapter Vice President; Charles H. Thiele, Corporate Insurance Manager, Federated Department Stores, Inc., Regional Vice President, ASIM, making the presentation on behalf of the American Society of Insurance Management, Inc. Receiving the Charter for the chapter is President E. W. Altstaetter, Division Insurance Representative, North American Aviation, Inc.; and assisting Mr. Thiele, A. J. Haberer, President, Cincinnati Area Insurance Managers, ASIM of the Procter & Gamble Company.

to hold to these goals: "To raise our standards as insurance buyers to a professional status, to have a clear understanding of the essentials of our profession, to help others to understand our aims and objectives, to exchange our own ideas and learn from the thinking of others, and to contribute towards the furtherance of ideals and objectives of the industry to the benefit of all."

Dedicated to these high purposes, the Central Ohio Chapter joins the other chapters of the American Society of Insurance Management, Inc.

### **Edward William Altstaetter II Is President of Central Ohio Chapter**

E. W. "Bill" Altstaetter is Division Insurance Representative for the Columbus Division of North American Aviation, Inc. As Insurance Representative, he is responsible for the effective administration of the corporate insurance program as it effects the Division. Included within this function are the areas of analysis of

(More on page 4)



Edward W. Altstaetter II

risks and values, market research, loss investigation and adjustments, and insurance accounting.

Prior to joining North American Aviation, Inc., Mr. Altstaetter was associated with the Columbus insurance firm, The Atkinson-Dauksch Agencies and Trafford Tallmadge.

A native Ohioan, he was born at Sandusky, Ohio, in 1931, graduating from Sandusky High School in 1949. He received his Bachelor of Science Degree in Business Administration in 1954 from The Ohio State University. Majoring in the field of insurance, he was awarded a scholarship by the Charles W. Griffith Memorial Foundation for Insurance Education.

In 1957 he received the designation "Chartered Property-Casualty Underwriter" from the American Institute for Property and Liability Underwriters, Inc.

Married, he resides in Reynoldsburg with his wife and daughter.

A member of various civic and professional groups, including The National Association of Accountants, Society of CPCU, and the National Management Association, Mr. Altstaetter is currently serving as President of the Central Ohio Chapter of the American Society of Insurance Management, Inc., as well as a Director of ASIM.

## ASIM Welcomes New Members

### Atlanta

McDonough Construction Company  
Southern Airways Company

### Central Ohio

Columbus Coated Fabrics Corporation  
F. & R. Lazarus & Company  
Ranco, Incorporated

### Chicago

Masonite Corporation  
W. H. Miner, Inc.

### Connecticut Valley

The New Britain Machine Co.

### Delaware Valley

Philadelphia Gas Works

### Detroit

Evans Products Company

### Montreal

Quebec Power Company

### New York

The Aeroflex Corporation  
Allied Chemical Corporation  
Allied Maintenance Corporation  
The Lummus Company

### Florida

Mercury Motor Express, Inc.

### Indiana

Studebaker-Packard Corporation

### Massachusetts

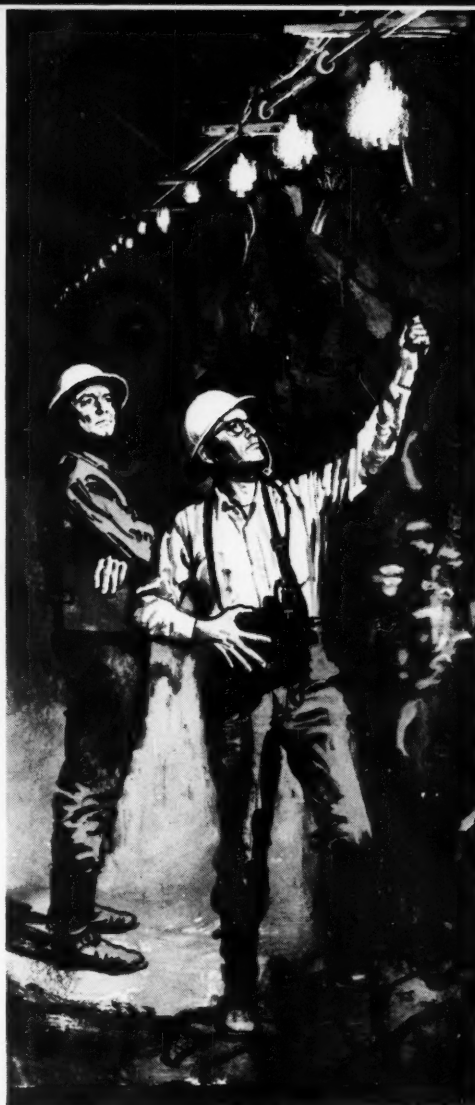
Moore Drop Forging Company

### Missouri

May Department Stores Company



**To stop finger injuries** caused by a policyholder's punch presses, our Research Center developed a foolproof safety device — a ring guard that encircles the punch. If operator's finger is under the punch, the guard carries off air pressure; press cannot be operated.



**Listening to rocks.** Using a micro-seismic detection device, a Liberty construction safety engineer listens for "squeaks" made by rock under strain. This device, developed by Liberty, makes it possible to foretell the collapse of a tunnel, helps prevent accidents.



**Broken bone gets new diagnosis.** Liberty depends on 75 leading specialists throughout the U. S. to review diagnoses of serious cases. This service helps speed recovery and return to work of badly injured employees of policyholders. Result: lower compensation costs.

## New ways Liberty Mutual provides Protection in depth

to safeguard your people... to cut workmen's compensation insurance costs

Anything you can do *right now* to cut down on accidents will help toward cutting your compensation insurance costs *in the future*. At Liberty Mutual, we can help you accomplish this by bringing to bear a wide range of skills and resources.

This is Liberty's protection in depth. It includes an 86-acre Research Center... a full-time staff of construction safety engineers... a medical advisory service. These

and many other resources can be focused to the particular needs of our policyholders, large and small.

Liberty's protection in depth has already helped thousands of policyholders cut costs through experience modification. And it has helped us return more than \$455 million in dividends. You can buy this protection in depth only from a Liberty Mutual salesman. Contact us now.



Look for more from

**LIBERTY MUTUAL**

...the company that stands by you

LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY  
HOME OFFICE: BOSTON • Types of insurance: Automobile, Homeowners', Liability,  
Group Accident and Health, Fire, Workmen's Compensation, Marine, Crime

# Charter Is Presented to Central Ohio Chapter

**Charles H. Thiele,  
Regional Vice President of  
ASIM, Makes Presentation**



**Charles H. Thiele, past president of Cincinnati Area Insurance Managers, ASIM, and Regional Vice President of ASIM, is Insurance Manager for Federated Department Stores, Inc., Cincinnati, Ohio.**

He became Insurance Manager in 1951 for Federated Department Stores, which include such stores as Abraham & Straus, Brooklyn; Bloomingdale's, New York; Boston Store, Milwaukee; Filene's, Boston; Foley's, Houston; Haliburton's, Oklahoma City; Lazarus, Columbus; Sanger's, Dallas; Shillito's, Cincinnati, and the Fedway Stores.

"Mr President, Members of Central Ohio Chapter:

Before I begin my talk, I wish to express to you my personal gratification for the invitation to speak with you. As Regional Vice President for this area, and representing the officers and members of the American Society of Insurance Management, Inc., I want to welcome Central Ohio Chapter and its members into ASIM and to extend to them congratulations and best wishes.

My purpose here is, first to look in retrospect at the original reasons for the formation of a risk managers' organization; secondly, to fill you in on the history of the society; third, to explain to you the aims and ideals of the society; and finally, to attempt to explain to you some of the advantages which member corporations will obtain as a result of chapter membership in ASIM.

With respect to the original reasons for the formation of a risk managers' organization, I think we must go back a number of years and look at the risk manager in the 1930's. In those days the words, "Risk Manager," had not yet come into being and, in fact, to be called an insurance manager was a measure of distinction. It was the common thing in corporations at that time to relegate individuals handling insurance to the dark recesses of the file room. From these dark

recesses he would emerge from time to time when losses arose or, perhaps, when the president of the corporation wanted to introduce him to a friend or relative who was a broker, and to whom business was to be directed. In between these periods of sunshine or recognition by management, his role or function was not considered as part of top management, for after all, insurance was only a necessary evil. Furthermore, it was not a complicated or even an important job because forms and rates were standard and one of the more important aspects of the job was to see that policies were filed correctly.

Looking at risk management today, you gentlemen will undoubtedly think these statements are ridiculous, but actually they were not far from the facts in the early 1930's. Individuals realizing their responsibilities to their employers and the stockholders of the corporation not only found it difficult to express their ideas to management, but also extremely difficult to sit down and discuss with other individuals similarly employed, their problems in communication, proper insurance forms, adequate rating and other countless matters involved in risk management.

The only organization in those days which even approached the problem was the American Man-

*(More on page 18)*



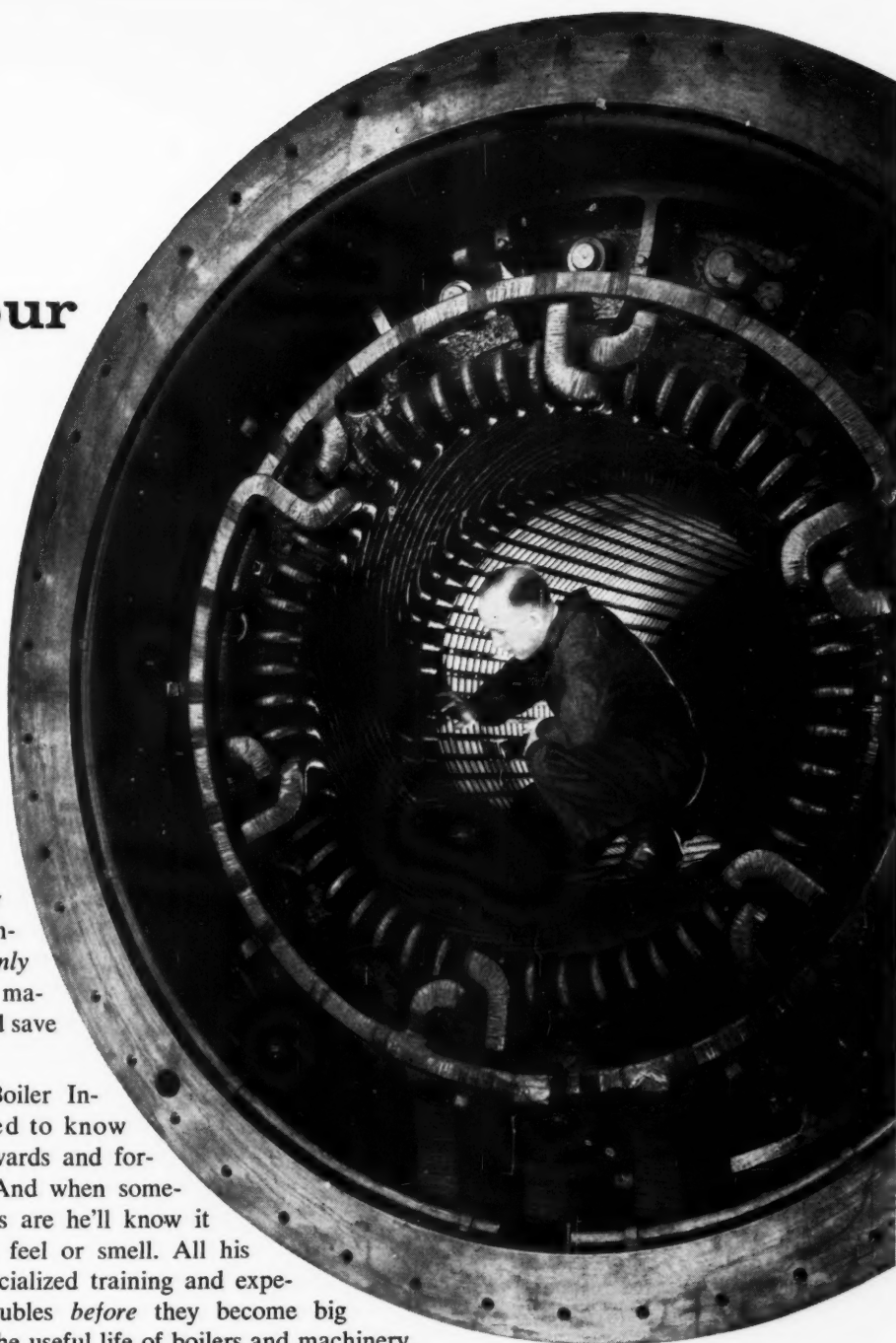
**Meet  
the man  
behind our  
middle  
name**

He's a Hartford Steam Boiler Field Inspector, one of more than 600 throughout the country whose *only* business is inspection . . . whose *only* purpose to keep power machinery in motion . . . and save money for you!

Each Hartford Steam Boiler Inspector has been trained to know power machinery. Backwards and forwards. Inside and out. And when something's not right, chances are he'll know it . . . by sight or sound, feel or smell. All his senses are keyed, by specialized training and experience to spot little troubles *before* they become big troubles . . . to prolong the useful life of boilers and machinery.

This man is one specialist in a company of specialists . . . a company whose vast resources of engineering knowledge and experience are devoted to just one thing — the insuring and safeguarding of power equipment.

Remember, at Hartford Steam Boiler . . . **INSPECTION IS OUR MIDDLE NAME**



**THE HARTFORD STEAM BOILER  
INSPECTION  
AND INSURANCE COMPANY**

Hartford 2, Connecticut

*the role of competition in . . .*

## Insurance Rate Making

by

Donald P. McHugh

Counsel

Antitrust and Monopoly Committees

United States Senate

(Address before the National Association of Insurance Commissioners,  
Zone 2 — White Sulphur Springs, West Virginia, April 3, 1959)

In the *South-Eastern Underwriters* case, the Supreme Court ruled in 1944 as a matter of law, what for many years has been known as a matter of fact — that insurance was interstate commerce. The ability of fifty-odd separate and independent jurisdictions to accommodate their regulatory system to this economic and legal fact has been due in no small part to the work of the National Association of Insurance Commissioners. Without its coordinating role in achieving a degree of uniformity and stability in the administration of insurance regulatory matters, the present haphazard and peripheral regulation by the federal government might have yielded to an absolute scheme of federal supervision. Therefore, I was pleased to accept the invitation of your host State to explain something of the current insurance study of the Senate Antitrust and Monopoly Subcommittee before this meeting of the Zone 2 officials of the NAIC. I might add that the spring season and this delightful setting did not constitute insuperable barriers to my acceptance of this invitation. I wish to state also that the views expressed herein are my own and do not necessarily represent those of the Subcommittee or any of its members.

Conceptually, the present dual system of federal-state regulation of insurance leaves much to be desired. In practice, developments have occurred since the Subcommittee began its study which have further attenuated the minimal degree of federal authority now existing. On June 30, 1958, the Supreme Court in the *National Casualty* and *American Hospital* cases affirmed the action of two Circuit Courts of Appeal in setting aside cease and desist orders of the Federal Trade Commission prohibiting alleged false and misleading advertising of

accident and health insurance companies. The Supreme Court declared that the McCarren Act "... withdrew from the Federal Trade Commission the authority to regulate respondents' advertising practices in those States which are regulating those practices under their own laws." The Government had argued before the Court that the Commission was not ousted from jurisdiction merely by the enactment of State prohibitory laws, not inconsistent with the Federal antitrust laws, which were not implemented by some kind of

administrative action. This view was rejected by the Court.

The area of federal responsibility remains cloudy. Nevertheless, the decision gives little solace to those who believed that the legislative history of Public Law 15 supported the view that the federal antitrust laws applied to insurance if State laws were ineffective or were not adequately enforced. Following the decision, the Commission ordered a reexamination of the pending cases involving health and accident advertising. To date, twenty-six of the original forty-one cases have been dismissed upon the strength of the *National Casualty* and *American Hospital* cases.

In its decision, the Supreme Court had no occasion to pass upon insurance activities taking place through the use of the mails or other mass media of communication. Nevertheless, the Court of Appeals for the Eighth Circuit on January 3, 1959, in *Travelers Health Association* case vacated a cease and desist order of the FTC, holding that the Commission was without jurisdiction to attack a strictly mail order business which the laws of the State of Nebraska

(More on page 22)

# SPEED IS ESSENTIAL!

Time-conscious shippers know the importance of having cargoes arrive on time. They also know how important it is to get quick and satisfactory action when a loss occurs. That is why the

MARINE OFFICE OF AMERICA provides expert claims-settling facilities in all sections of the U. S. and in practically every part of the world.

It's the type of service all shippers prefer!

**See Your Agent or Broker!**

**All Classes of Ocean and  
Inland Marine Insurance!**



## MARINE OFFICE OF AMERICA

123 WILLIAM STREET, NEW YORK 38, N. Y.

### MEMBER COMPANIES:

THE AMERICAN INSURANCE COMPANY • THE CONTINENTAL INSURANCE COMPANY • FIDELITY-PHENIX FIRE INSURANCE COMPANY  
FIREMEN'S INSURANCE COMPANY • GLENS FALLS INSURANCE COMPANY • THE HANOVER INSURANCE COMPANY  
NIAGARA FIRE INSURANCE COMPANY

### —OFFICES—

NEW YORK • CHICAGO • NEW ORLEANS • SAN FRANCISCO • HOUSTON • TORONTO  
Atlanta • Baltimore • Boston • Cleveland • Corpus Christi • Dallas • Detroit • Indianapolis • Jacksonville • Los Angeles • Louisville  
New Haven • Philadelphia • Pittsburgh • Portland • Raleigh • Richmond • St. Louis • Seattle • Stockton • Summit • Syracuse

# How Far Should Safety Go?

by  
**R. M. McDermid**  
**Attorney-at-Law**  
**Reid & Priest**  
**New York, N. Y.**



**Ralph M. McDermid**

*Ralph M. McDermid, a partner in the law firm of Reid & Priest, New York, N. Y., is a member of the Illinois Bar and the New York Bar.*

*He was graduated from the University of Chicago and Harvard Law School.*

My purpose is to explore with you what the employer's safety man dares do in extending his "know how" to the independent contractor.

Of course, the restraining factor is your understanding of the law — your motivation is based upon humanity, decency and the well-being of your fellow man. It must indeed be very frustrating to believe that there may be principles of law which, in effect, deter you from doing what is right — principles which, in effect, prevent you from stepping in and saying to the contractor — "Here's what you should do to protect your employees and the public and to reduce their chances of getting killed or injuring themselves." Can the law be such that I must tell you — you who are dedicating your time and thoughts to protecting others — that you should not trespass in certain business areas — for if you do, your employers will be exposing themselves to penalties en-

forced by a court of law? You, who are skilled in safety, want an answer: —

In a way you are right in the middle of a lot of uncertainty. We, as people, are going through social and economic changes and the courts are in the process of a trend reflecting these changes. Changes in the responsibilities of management to labor — labor to management — the responsibilities of both to the public. You know exactly what you want to do and what you should do — but there are those in and out of your organization, including lawyers, who say "Hold up, boys, you better lay off the independent contractor." Why? Because what the independent contractor does to keep his employees and the public from killing themselves is best his business — not ours — a rather unsatisfactory answer to a safety man, particularly to a safety man in the public utility field.

## **The Law of Master and Servant**


Let us take a look at the law first — this law that may put the brakes on what you want to do and what you should be able to do.

We lawyers still call it the law of Master and Servant — a descriptive title which we inherited from the English common law. Of course, nowadays the word "Master" refers to the employer and the word "Servant" refers to the employee. When I'm talking about "employer" and "employee" I'm going to use the Master and Servant expression because it is a little easier to say.

The law of Master and Servant and the law of the independent contractor has developed over a period of at least 2,000 years. The fascinating thing about the Master and Servant law is its reasonable

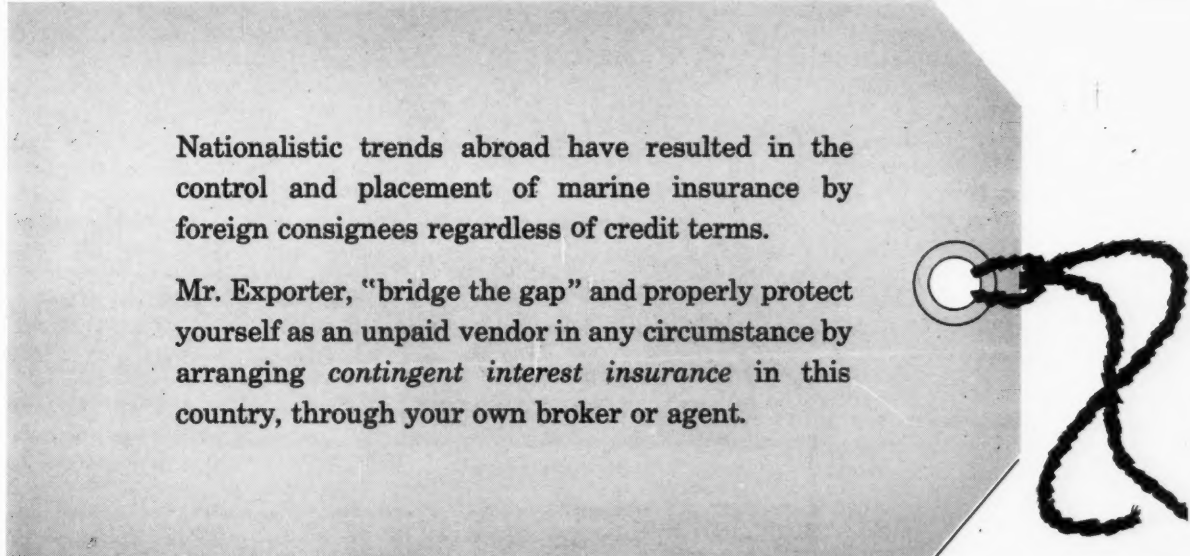
*(More on page 16)*





# SHIPPERS

Do You Need  
CONTINGENT  
INSURANCE?



Nationalistic trends abroad have resulted in the control and placement of marine insurance by foreign consignees regardless of credit terms.

Mr. Exporter, "bridge the gap" and properly protect yourself as an unpaid vendor in any circumstance by arranging *contingent interest insurance* in this country, through your own broker or agent.

*Business Established 1842*

## THE ATLANTIC COMPANIES

ATLANTIC MUTUAL INSURANCE COMPANY • CENTENNIAL INSURANCE COMPANY

**P. O. BOX 6, WALL STREET STATION • NEW YORK 5**

Baltimore • Boston • Charlotte • Dallas • Houston • Newark  
New Haven • New Orleans • Philadelphia • Pittsburgh • Syracuse

**MIDWEST DIVISION**

Chicago • Cincinnati • Columbus • Detroit • Grand Rapids  
Indianapolis • Milwaukee • Minneapolis • St. Louis

**PACIFIC DIVISION**

San Francisco • Los Angeles • Portland • Seattle • Denver

**MULTIPLE LINE COMPANIES WRITING MARINE, FIRE AND CASUALTY INSURANCE**

# VALUATION for INSURANCE PURPOSES

by  
**W. M. Young**  
Vice President  
The American Appraisal Company

Let us consider the nature of a fire insurance policy — what it is designed to do and how its purpose is accomplished. This is the instrument which establishes all the rules and regulations for both the buyer and the insurance company, and is therefore controlling. It also provides the basis of value of which the protection is purchased and defines procedure at time of loss. It therefore is the controlling instrument also for the appraiser.

For our purpose and for practical reasons, a fire insurance policy could be defined in the simplest terms as a legal contract between an insurance company and an assured for the former to make certain payments indemnifying the latter for the loss of property carried by an insured peril, based on its value, provided the insured pays certain premium amounts which also are related to property, and can prove his loss. In other words, both the insurance company and the insured assume obligations to do certain things under the terms of the policy.

There are, however, two obligations which the assured must assume which are both primary and fundamental if the contract is to be completely effective and binding upon the insurance company, but which with all the discussions of special endorsements, rates and many other details of a policy fre-



W. M. Young

*W. M. Young joined The American Appraisal Company in February 1919 and has been active in all phases of the company's affairs — in its Chicago, Los Angeles, Milwaukee and New York offices. He is senior Vice President of The American Appraisal Company, a Director, and a son of one of the two founders of The American Appraisal Company.*

*Mr. Young is a native of St. Paul, Minnesota, and was educated in the public schools of that city. He was graduated from the University of Wisconsin, served in World War I as a Lieutenant, United States Naval Reserve Force, assigned to Naval Overseas Transportation Corp.*

quently remain unclear and confused in the buyer's mind.

The first one is the responsibility for the determination of the amount of insurance for which the policy is to be written. The other is the responsibility for proving a claim in case of a loss. I would emphasize that unless these two obligations are properly assumed by the insured, the effectiveness of the policy is seriously jeopardized and its purpose can be materially affected.

After nearly forty years of experience with a service organization devoted in substantial part to preparing valuation surveys for insurance requirements, the extent of the misunderstanding of the implications involved in these two points leads me to the conclusion that they are just not fully appreciated by the average insurance buyer. Why this situation exists is probably due in part both to the somewhat intangible nature of insurance protection as a commodity — it being the future indemnity against loss which is purchased today but which may or may not ever be realized — but also to just plain loose thinking. In fairness, however, it can also be stated that this confusion and misunderstanding on the part of the buyer as to this legal relationship and assumed obligation between himself and the insurance company is not all due to lethargy on his part. Part of the

*(More on page 45)*



## THE SECRET OF THE KETTLE BREAK

The brewer in the picture has dipped a sampling of Miller High Life—The Champagne of Bottle Beer—to test the 'kettle break' or clarity. His skill makes this a prized mixture of nature's finest ingredients brewed in the old Bavarian way, with modern equipment and quality control.

Miller began its career with royal patronage in a castle on the Danube. Master Brewer Frederic Miller brought

his skill and his own capital to the New World a century ago. He set up operations on Old Watertown Plank Road outside Milwaukee.

Miller is a strong believer in adequate insurance protection, and this leading brewer of quality beer relies on the leader in insurance—INA.

Miller's protection includes fire and extended coverage, business interruption, ocean marine and various inland

marine risks. INA's Technical Department helps Miller maintain the finest fire prevention standards, for continuing safety. Your business, large or small, can get the same *extra value* in complete protection and personalized service that makes Insurance by North America better. Ask any INA agent or your broker.

Insurance Company of North America  
Indemnity Insurance Company of North America  
Life Insurance Company of North America • Philadelphia

**INSURANCE BY NORTH AMERICA**

**INA**



# Deductible Fire Insurance

by

A. L. Chavannes

Assistant Treasurer and Manager of Insurance  
Southern California Edison Company

*(Speech before the Insurance and Claims Committee of the Pacific Coast  
Electrical Association and the Pacific Coast Gas Association,  
in Berkeley, California)*



A. L. Chavannes

Although many kinds of insurance, other than life and fire, have been readily available on a deductible basis for many years, the topic of Deductible Fire Insurance has been discussed for several years but until recently very little has been done about it. Although Deductible Fire Insurance is not discussed as much as the weather, it is in a somewhat similar situation in that there *was* an old saying that everybody talks about the weather but nobody does anything about it. In recent years, however, we have seen the rapid expansion of the business of the professional rain-makers, and also the development of efficient and effective air-conditioning equipment for homes and

## About the Author . . .

Albert Lyle Chavannes, born in Knoxville, Tennessee, obtained an electrical engineering degree at the University of Tennessee in 1918, was instructor in engineering at that university and at University of Illinois until 1923, at which time he joined Southern California Edison Company, Los Angeles, as Field Cost Engineer, Valuation Department. He studied Business Administration at University of California Extension Division, obtained his California license as Public Accountant, and became General Auditor of the Company in 1947. He was appointed in 1949 to his present position of Assistant Treasurer and Manager of Insurance.

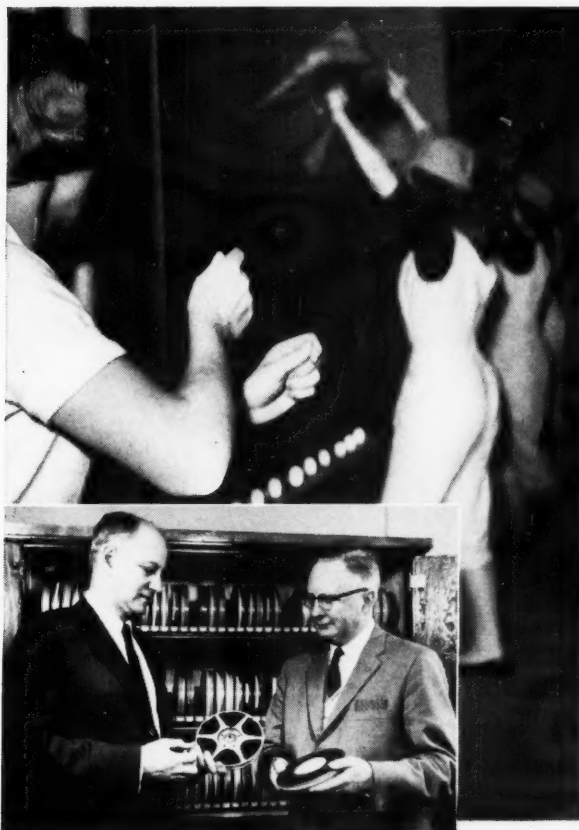
Mr. Chavannes is a member of the Industrial Insurance Committee of the California State Chamber of Commerce, the Pacific Coast Electrical Association, the Electric Club of Los Angeles, Town Hall and the Southern California Chapter of the American Society of Insurance Management, Inc.

offices, including the reverse cycle heat pump. It is possible and highly probable that the new few years will similarly see a rapid expansion in the underwriting of fire insurance on a deductible basis. The fire insurance of Southern California Edison Company was written on the basis of \$100,000 deductible commencing November 1, 1957.

For several years there have been strong advocates for deductible fire insurance, or as we sometimes express it, *excess* fire insurance. Among the advocates are insurance counselors and owners of large plants and business houses, especially where the aggregate property values are large in comparison with the maximum probable loss at any separate location or in a single occurrence. I believe that the owner of highly dispersed insurable property is more interested in deductible fire insurance than the owner of more concentrated or contiguous properties, because he has a right to expect a greater saving in premium. Generally speaking, a concentration of, for example, \$20,000,000 of insurable plant at one location will command a higher primary insurance premium than \$20,000,000 of insurable plant scattered in, say, 10 equal separate and iso-

*(More on page 49)*





**In Wausau:** Mr. Ash talks to Carroll E. Swenson (right), Director of the PTA Council Film Library, a project supported entirely by proceeds of the annual PTA Stunt Night—a 12-act variety show with parents, teachers and students doing all the writing, producing and directing.



**In Clintonville,** Mr. Ash looks over another Teracruzer, the specially-built 8 wheel-drive vehicle the Air Force uses to transport missiles to previously inaccessible launching sites. FWD Corporation also builds a commercial version of the Teracruzer that carries its cargo on 3½ foot long "rubber barrels" without jarring, even while traveling over snow, sand, swamp or boulder-strewn terrain.

# Wausau Story

by MAURICE E. ASH, President,

FWD Corporation, Clintonville, Wisconsin • Heavy-duty vehicle specialists

"THIS year Wausau staged its 26th annual PTA Stunt Night. The show was a big success. The audiences that packed the auditorium for five nights had fun. So did the performers. And there are now more funds for the Wausau PTA Council Film Library.

"Back of the show is a story that will interest you. You know, in most cities, each PTA Group from each school has a fund-raising project of its own. But not in Wausau. There the groups get together for this one big annual production. A thousand people took part in this year's show. If they weren't in the cast, they were on a committee—sewing costumes, painting scenery, selling

tickets or baby-sitting while other parents practiced or performed.

"Cooperation like that is unusual. But this is an unusual community in many ways. Enthusiasm and cooperation have a part in everything Wausau people do. That includes the way they work. We've had plenty of opportunity to observe this right here in Clintonville. Our company has been a policyholder of Employers Mutuals of Wausau for 31 out of the 50 years we've been in business.

"We've worked together on many problems during this long association. We've called on Employers Mutuals to help us set up industrial nursing procedures, to help us prevent accidents,

to see that safety is a built-in part of our production. With typical Wausau enthusiasm and cooperation, Employers Mutuals people have helped us keep this a safe place to work . . . all at an impressive savings on our insurance costs."

*Employers Mutuals has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). In the field of workmen's compensation we are one of the largest. We are proud of our reputation for fast claim service and our experience in preventing accidents. Consult your telephone directory for your nearest representative or write us in Wausau, Wisconsin.*

## Employers Mutuals of Wausau



"Good people to do business with"



## What Are *Your* Chances of Facing This?

You can find out if you're interested. Based on an analysis of boiler and machinery accidents during a recent five-year period, failure rates for the various types and sizes of equipment have been established. It can be expected, for example, that for every 5,000 watertube boilers with heating surfaces of 10,000 to 20,000 square feet, there will be 143 failures each year.

These and many other interesting findings on accident trends were reported in a recent issue of *The Condenser*, one of the many accident-prevention publications we publish free of charge for our policyholders and friends.

If you would be interested in receiving our publications, or if you would like one of our representatives to check the adequacy of your present coverage, just let us know.

### **Mutual Boiler and Machinery Insurance Company**

225 Wyman Street • Waltham 54 • Massachusetts

*The Oldest Mutual Casualty Insurance Company in America*

## **Safety — McDermid**

(From page 10)

consistency throughout all of these years in holding the Master liable to the public for the wrongful acts of his Servant. Obviously, the principle is not predicated upon deep-rooted moral factors — there is no moral reason for punishing an employer when his employee commits a negligent act. It seems almost immoral, in fact, to require an employer to pay thousands and thousands of dollars for a negligent act committed by an employee and perhaps let the negligent employee off without penalty. No, the moral issue, as such, is not now and never has been adjudicated.

The whole principle of the Master-Servant relationship is based upon sociological and economic considerations. The Master or employer is rich, the Servant or employee is poor and a third party has been injured. The third party could not recover from the poor — the rich Master can afford to pay — so a judgment is rendered against him. It was so ruled, in effect, 400 years before the birth of Christ and in 200 B.C. by Roman and Greek law. The same concept appears in the English law as early as 900 A.D. However, in fairness, some of the great English common law judges thought that this principle was wholly unsupportable in law. But it prevailed in England — after a hard struggle — within the judicial conscience. First, in England the employer was liable only if he *ordered* his employee to commit the wrongful act. Well, I guess we can all agree that that is not on offensive decision — if the employer orders his servant to be a bad boy — the employer should pay. That is moral! But under the pressure of expanding industrial relations the English courts continued to hold the employer liable even in the absence of proof that the employer ordered the wrongful act. In such case the courts supplied the requisite elements of the Master's liability under the fiction that the "order" would be implied from the mere existence of the em-

(More on page 36)



# Let a Century Serve You

The practical timely balance between century-proven stability and young aggressive leadership . . . that is what you will discover at Fred. S. James & Co. And, you'll know the "whole team" here . . . fully equipped nationally, this is an organization with the finest quality analysis, marketing and hazard control services . . . yet it is small enough that you may rest assured you always will have direct personal attention from seasoned technicians and astute executives.

Briefly, you'll find at Fred. S. James & Co. the skills that only time could instill . . . over one hundred years of continuous progress in the field of insurance!

A great many of today's leading industries and businesses, both large and small, clearly recognize the economy and safeguard afforded by insurance through Fred. S. James & Co. *A survey of your up-to-date insurance needs will convince you.* Call or write to us today.



## FRED. S. JAMES & CO.

*Insurance Brokers and Consultants*

CHICAGO • NEW YORK • PHILADELPHIA • BUFFALO • PITTSBURGH • MINNEAPOLIS • OKLAHOMA CITY • PORTLAND • SEATTLE • LOS ANGELES • SAN FRANCISCO • LONDON



## Charter — Thiele

(From page 6)

agement Association. This association was open, however, to brokers, company men and insurance managers; consequently, discussion with men only concerned with like problems was limited. Recognizing the need for an organization devoted entirely to insurance buyers, a group of men in New York formed what was known as the Risk Research Institute in the 1930's.

This local New York organization was originally formed by a group of a few men, but as the years unfolded more and more risk managers realized the advantages of the organization. As the membership grew, so did the benefits which were derived from the ability to sit down and discuss among themselves matters pertaining to insurance. As a result of working closely with other insurance organizations, a number of advantages to all buyers of insurance emerged. Indicative of such advantages were the standard New York Fire Insurance Policy which is now recognized by most states as being the ideal fire insurance contract, multiple risk rating, the overtime remuneration endorsement on Workmen's Compensation policies, and a long list of others. By the late 1940's the membership in this New York organization increased to approximately 150 members.

It was at this time that a group of men within this New York organization conceived the idea that if, to a large group of buyers in New York, there were definite advantages in a risk managers' organization, then it naturally followed that the same concept could be extended to other risk managers' organizations throughout the country and to the formation of risk managers' organizations in various cities located strategically from a geographical standpoint and that the benefits to be derived by the member corporations would be greatly enhanced.

Consequently, in November of 1950 the National Insurance Buyers Association was organized and incorporated in the state of Illinois.

The first chapter was New York, the second San Francisco or Northern California, and the third chapter was Cincinnati. In 1954 it was decided to change the name of the society from the National Insurance Buyers Association to the American Society of Insurance Management, Inc., because that latter name was more indicative of the function of the members. Needless to say, from the meager start in 1950 our growth and expansion has been tremendous to where today with the formation of the Central Ohio Chapter, we have twenty chapter of ASIM and more than 1000 Corporation Members.

Throughout the organization, our chapters are working on increasing the membership. In addition, the national organization is working on increasing the number of chapters in various cities. Eventually, we hope that geographically throughout the United States there will be chapters formed in every area so that no risk manager of any corporation can say that he is restricted from joining the society because of his geographical location.

Consequently, I think you will agree that we now have a society which has rightfully gained national recognition, and this is the only society of its kind in the insurance industry. There are, of course, all sorts of associations except associations for the man who pays the bills. The company, the brokers, agents, actuaries, regulatory and rating organizations . . . all have associations where they can discuss and plan insurance matters. Until the American Society of Insurance Management came along, however, the corporations and, of course, their risk manager had no part or voice in such planning. Today, we do have such a voice and a loud one at that. We intend to use this voice judiciously to gain for the insurance buying public as a whole, as well as our member corporations, the right to be heard and express our views. Also, let us again look at the risk manager, but from the standpoint of the risk manager today. More and more this risk manager has come out of his abode in the dark recess of the filing room and is

rightfully taking his place as a respected member of management's team. Corporations are beginning to or have realized that the individual handling insurance is a responsible executive and that his function far exceeds the mere buying and filing of policies. The risk manager is and should be approaching that of professional stature. I think there is no question that the American Society of Insurance Management, Inc., has done much to bring about this change in corporate thinking.

Now, what are the purposes of the Society? The purposes of the society are the following:

1. *'To aid in maintaining a reasonably competitive insurance market under a free, private-enterprise system in the interest of all buyers of insurance, which is the public interest, and to that end foster a minimum of control with due regard to the financial stability of underwriters and the financial integrity of the insurance contract.'*

There is today a tremendous need for a "united front" to combat some of the effects of unsound legislation, adverse authority of regulatory bodies, and restrictions to free private-enterprise insurance. Much can be gained by the sheer weight of a national organization.

2. *'To make known the needs and the viewpoint of the buyers of insurance to all who have an interest in the insurance business.'*

The buyer of insurance in the past has had little collective effect on the insurance industry except as his needs developed out of experience. This has been a costly process. The collective viewpoints of our many members should reverse this procedure in the future.

3. *'To cooperate with producers, underwriters and others to secure:*

- (a) *Simpler and more adequate policy forms.*

- (b) *Insurance protection for all insurable risks.*

(More on page 20)





*shoulder-to-shoulder . . . coast-to-coast*  
**INSURANCE SERVICE  
 TO MATCH YOUR GROWTH**

*This concept of insurance service from independent agents and brokers all across North America is significant of the times. For it recognizes the trend of industry and the need of industry. Today, as a result, you are able to deal with the most comprehensive of all insurance networks—and yet know that every office is a home office.*

*That is why thousands of important names in commerce and industry now entrust their insurance programs to the membership of this association . . . and why the association concept is becoming the accepted concept in the writing and servicing of important multi-city business insurance.*

*For literature and complete details, contact the member-firm in your area:*

**ALASKA**, Anchorage,  
LaBow, Haynes Company, Inc.

**ALABAMA**, Birmingham,  
Ford-Myatt & Ebaugh,  
Mobile, Thames & Batre

**ARIZONA**, Phoenix,  
Luhrs Insurance Agency

**ARKANSAS**, Little Rock,  
Rector, Means and Rowland

**CALIFORNIA**, Los Angeles,  
Miller, Kuhrt & Cox,  
San Francisco,  
Trans-Western Brokers, Inc.

**CANADA**, Calgary, Mackid Agencies  
Ltd., Toronto, Tomenson, Saunders,  
Smith & Garfat Ltd., Vancouver,  
Durham & Bates Agencies Ltd.,  
Winnipeg, Ryan Agency Limited

**COLORADO**, Denver,  
Van Schaack & Company

**CONNECTICUT**, Hartford, Allen,  
Russell & Allen, Benjamin & Connor

**CUBA**, Havana, G. F. Kohly, S. A.

**FLORIDA**, Jacksonville,  
Donald A. Bolton & Co.,  
Miami, Coates & Dorsey, Inc.

**GEORGIA**, Atlanta, Dunlap & Co.,  
Savannah, Palmer & Cay, Inc.

**ILLINOIS**, Chicago,  
Moore, Case, Lyman & Hubbard

**INDIANA**, Indianapolis,  
Robert N. Bowen & Associates, Inc.

**IOWA**, Des Moines,  
La Mair-Mulock Company

**KANSAS**, Wichita,  
Dulaney, Johnston & Priest

**KENTUCKY**, Louisville, Nahm &  
Turner Insurance Agency, Inc.

**LOUISIANA**, New Orleans,  
Gillis, Hulse & Colcock, Inc.

**MARYLAND**, Baltimore,  
Riggs-Warfield-Roloson, Inc.

**MASSACHUSETTS**, Boston,  
Boit, Dalton & Church

**MEXICO**, Mexico City,  
Kennedy & Hijo, A. P.

**MICHIGAN**, Detroit,  
General Underwriters, Inc.

**MINNESOTA**, Minneapolis,  
Wirt Wilson & Company

**MISSISSIPPI**, Jackson,  
Fox-Everett, Inc.

**MISSOURI**, St. Louis,  
W. H. Markham & Company

**NEBRASKA**, Lincoln,  
Weaver-Minier Co., Ltd.  
Omaha, Weaver-Minier-Martland

**NEW YORK**, Buffalo,  
Laverack & Haines, Inc.,  
New York City, Despard & Company

**OHIO**, Cincinnati,  
The Earls Blain Co., Cleveland,  
The W. F. Ryan Corporation

**OKLAHOMA**, Tulsa, Paul Sisk,  
John Wakefield & Associates

**OREGON**, Portland,  
Jewett, Barton, Leavy & Kern

**PENNSYLVANIA**, Philadelphia,  
Ostheimer-Walsh, Inc., Pittsburgh,  
Edwards, George & Co., Inc.

**PUERTO RICO**, San Juan,  
Compania Carrion, Inc.

**RHODE ISLAND**, Providence,  
Boit, Dalton & Church

**SOUTH CAROLINA**, Columbia,  
Boyle-Vaughan Agency

**TENNESSEE**, Memphis,  
D. A. Fisher, Inc.

**TEXAS**, Dallas, Ellis, Smith &  
Company, Houston, Langham,  
Langston & Burnett

**VIRGINIA**, Richmond,  
The Davenport Insurance Corp.

**WASHINGTON**, Seattle,  
LaBow, Haynes Company, Inc.

**WEST VIRGINIA**, Wheeling,  
Lee C. Paull, Inc.



**INSURANCE SERVICE ASSOCIATION**

For what it's worth...

## In case of fire, could you prove all your losses?

from the CLIENTS' SERVICE BULLETIN  
of The American Appraisal Company

A property owner may base his estimate for fire insurance on book values, general price trends, square foot and cubic foot estimates of cost, or on personal opinion, with depreciation computed merely on the basis of age. Such estimates often lie dormant for years, except for adding the cost of new property.

### Factual data needed

So long as nothing happens, the property owner may become complacent. But time does not immunize a property against hazards. Disasters strike without warning. If the insurance is far short of value, it is too late to increase it. Book costs, price trends, general estimates do not provide convincing evidence of value. The insurance manager finds he must submit a proof of loss detailing the property destroyed or damaged and the value of each item. If property records are incomplete or inaccurate, it may be impossible to prepare a satisfactory proof of loss.

### Settlement may be less

Such a lack of adequate records will generally work to the disadvantage of the insured, for the adjuster cannot be expected to pay improperly supported claims. The owner may receive a settlement which he deems "satisfactory," but it may fall far short of the amount to which he may have been entitled and which he could have collected had he maintained complete property records and adequate insurance.

American Appraisals for insurance purposes are made to stand the test of a fire. The inventory of the property is complete with identifying descriptions of all items and classifications of property. The unit prices are carefully documented and the observed condition of the assets noted. The appraisal may be maintained through Continuous American Appraisal Service® to reflect changes in the property, in price levels and in condition. With such a record kept constantly up to date, the insured is always prepared for the unexpected.

## The AMERICAN APPRAISAL

Company®

SINCE 1896...LARGEST...MOST WIDELY USED

Home Office: Milwaukee, Wisconsin

Atlanta	Cincinnati	Kansas City	Philadelphia
Baltimore	Cleveland	Los Angeles	Pittsburgh
Boston	Dallas	New Orleans	St. Louis
Buffalo	Detroit	New York	San Francisco
Chicago			Washington

Affiliated: Canadian Appraisal Company, Ltd.  
Montreal and Toronto

## Charter — Thiele

(From page 18)

(c) Adjustment of inequities in rates.

(d) Adequate recognition of all factors which enter into rating of risks.

No longer does the insurance buyer or local group of insurance buyers need be a "Voice Crying in the Wilderness." The voice of our national organization is now loud enough to be heard.

### 4. 'To support loss prevention.'

With claims rising in virtually every field of insurance, I do not think that anyone can question the need for the support of loss prevention. With a national organization, we can do a more effective job.

### 5. 'To foster

(a) A close relation among buyers of insurance.

(b) A better understanding of the nature and functions of insurance and of loss adjustments.

(c) A knowledge of loss potentials and a recognition of the fact that reimbursement of loss through insurance does not offset any loss suffered by the general economy.'

### 6. 'To provide to members an opportunity to exchange ideas and to consult with each other and to meet with men and women in or associated with the insurance business.'

### 7. 'To supply members information concerning their organization and its activities with respect to insurance matters.'

To my way of thinking, these three aims are closely related. We must: (1) raise our standards as insurance buyers to a professional status, (2) have a clear understanding of the essentials of our profession, (3) help others to understand our aims and objectives, (4) exchange our own ideas and learn from the thinking of others, and (5) contribute towards the furtherance of ideals and objectives of the industry to

the benefit of all. The national organization should, and does, collect our individual and local compliance with these objectives and distributes them nationally for the greater effect and use of all.

### 8. 'To compile and distribute data, periodicals or other literature dealing with insurance and loss prevention.'

Our magazine is an effective working tool accomplishing this objective. To our local chapter members, it is a constant source of information collected on a national scope.

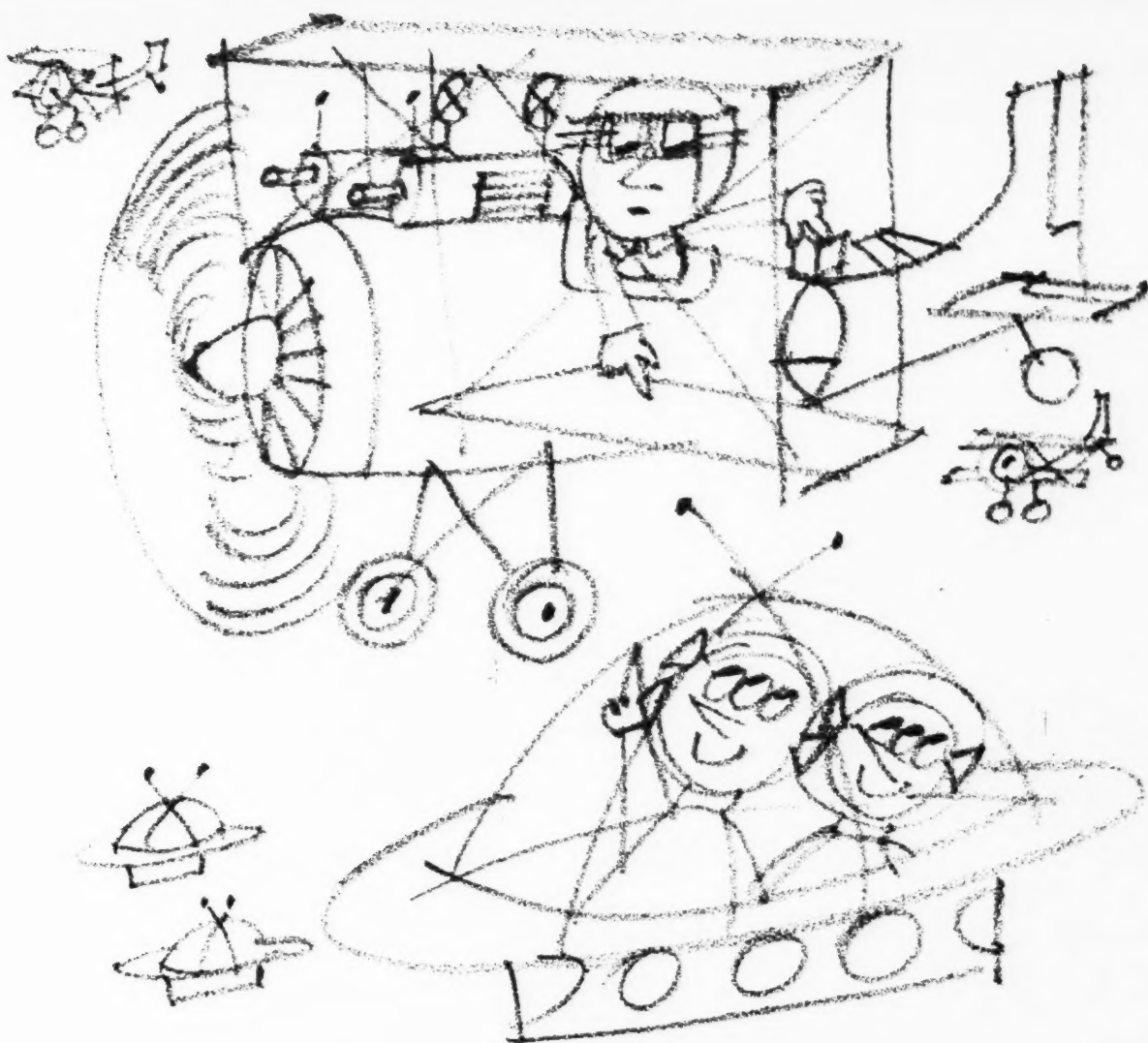
I think you will all agree that these aims and ideals are important ones and are not only directed at selfishly bettering our own purposes, but are equally directed toward improving a common mutual understanding between the companies, producers and the entire insurance buying public. In this respect, we are fulfilling not only our obligations to our corporations, but we are doing our part in complying with our obligations as good citizens.

I would also like to bring to your attention some of the programs which are currently being worked on by the national organization and the various members of the society throughout the country. These are as follows:

1. There has been established with the National Association of Insurance Commissioners a working committee of the society to work with a working committee of the commissioners. This committee will present to the insurance commissioners the buyers' views on various aspects of insurance. This suggestion originally came to us from the commissioners, which indicates that they recognize the strength and importance of our organization.

2. The ASIM is now a member of the United States Chamber of Commerce Insurance Committee. Heretofore we have never had representation on this committee. This not only gives us an opportunity to exchange our views, but gives us advanced information

(More on page 28)



You'll enjoy "THE TWENTIETH CENTURY," Sundays, CBS-TV

## Today...old fashioned protection just won't do

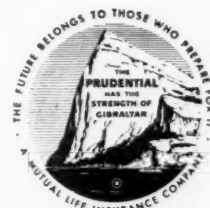
For example, take Group Life Insurance. Just a short time ago, higher paid employees were unable to secure amounts of Group Life

Insurance related to their earnings. Now, however, this is no longer true—thanks to Prudential's *Realistic Amounts* approach.

Prudential's "Realistic Amounts" makes it possible to offer *all* employees Group Life Insurance *realistically* related to their earnings and living costs—in amounts equal to one and a half times annual earnings . . . up to \$40,000 in most states!

Low in cost, Realistic Amounts of Group Life Insurance usually can be written on a non-medical basis, and employer costs ordinarily are tax deductible. These are only a few of the advantages you get with this twentieth century protection!

For more information about Realistic Amounts, call your Prudential Agent or Broker, or the Prudential Home Office or Group Office nearest you.



**The Prudential**  
INSURANCE COMPANY OF AMERICA



## Rate Making — McHugh

(From page 8)

purported to regulate. It is probable that the Supreme Court will be requested to review the Eighth Circuit's decision.

Judge Victor R. Hansen, Assistant Attorney General in charge of the Antitrust Division of the Department of Justice, has, on several occasions in the past, suggested that the antitrust laws were not rendered inapplicable when the States failed to adequately enforce their regulations. However, in a speech released for delivery on December 29, 1958, he pointed out that "some doubt has now been thrown upon this view." In a letter dated December 12, 1958, to Senator Joseph C. O'Mahoney, who is presiding over the insurance study, he commented further: "However, the *National Casualty* case does indicate that the limitations which the McCarran Act imposes upon our jurisdiction to deal with insurance company activities which are subject to state regulation, exist without regard to how effective such regulation may be."

The logic of this conclusion seems inescapable in the light of the Supreme Court decision. Even the narrow function of filling the interstices of State regulation, which Professor E. W. Patterson envisioned for the federal government, appears to be doomed in the present state of the law. In his monumental treatise of 1927 on *The*

*Insurance Commissioner in the United States*, he observed: "Federal powers may be extended to those situations in which a State cannot effectively suppress an evil or protect its citizens. Therefore, it is my belief that the honest and competent insurance organizations . . . are mistaken in their efforts to protect all insurers from federal regulation under all circumstances. They would be better advised to seek the most effective combination of federal and State regulation that will best protect the interests of the insuring public."

While federal antitrust enforcement in the insurance field to date has been more illusory than real, it constituted, nevertheless, an omnipresent sword of Damocles over State Insurance Departments as long as it threatened to fall if State regulation proved inadequate. The Supreme Court in many areas has now largely demolished this threat of federal intervention. However, areas remain where no cases have been brought testing the outer limits of federal jurisdiction.

The decision two weeks ago by the Supreme Court that variable annuity contracts are not insurance within the meaning of the exemption provisions of the Securities Act and Investment Company Acts and, therefore, subject to federal securities regulation, does not seem destined to avert the trend away from federal supervision. It is improbable that this ruling will alter existing State regulation of the variable annuity contract. It may

raise antitrust problems for the variable annuity business. It does not presage any change of attitude by federal antitrust agencies towards life insurance as such.

### Initial Insurance Hearings

In August, 1958, the Subcommittee held its initial hearings. The field of aviation insurance was selected because it illustrated some of the difficulties confronting the States in attempting to regulate a business which is primarily interstate in character and increasingly international in scope. The aviation insurance industry has expanded greatly during the last fifteen years, with total annual business rising from \$13 million in 1944 to \$50-\$60 million in 1958. Despite this growth, only two underwriting groups dominate the United States market. A third but smaller syndicate was liquidated shortly before the hearings began, further diminishing competition.

These hearings revealed that one of the American syndicates is and has been active in the International Union of Aviation Insurers. This Union engaged in cartel-type arrangements and agreements for division of markets and for maintaining rates. Testimony was presented concerning a recent arrangement in the London market termed the "Respect-The-Lead Agreement" for the purpose of fixing aviation insurance rates. Minutes of the International Union and correspondence between the American pool

(More on page 24)

---

Corporations are usually sure their accounting is in order but have C.P.A.'s check it.

Corporations are usually sure their insurance is in order but they should have it checked. The same logic applies to both.

## CORPORATE ADVISORS, INC.

### Insurance Consultants

ERNEST L. CLARK, President

Compensation on Fee Basis Only

15 William Street  
New York 5, N. Y.  
Tel.: Whitehall 3-0697, 0698

New Jersey address:  
Box 87  
Summit, New Jersey





## TO CUSHION THE BLOW *When Trouble Strikes Abroad!*

Whatever your overseas business—rubber in Malaya, coffee in Brazil or construction in Spain—it needs the best insurance money can buy. AFIA provides that type of protection.

That's because AFIA experts are specialists in foreign insurance. They not only have the skill and experience to pattern your insurance to the specific needs of your business, but they

have up-to-date knowledge of world-wide conditions, continually supplied by AFIA's 600 offices abroad. This is your assurance that your protection will conform to the laws of the land where your risk is located.

It will pay you to have your agent or broker discuss your foreign insurance problems with AFIA's nearest office.

*We'll be glad to send you a world map in color for your office. Write AFIA, New York.*



# AFIA

AMERICAN FOREIGN INSURANCE ASSOCIATION

161 William Street • New York 38, New York

CHICAGO OFFICE .. Insurance Exchange Building, 175 West Jackson Blvd., Chicago 4, Illinois  
DALLAS OFFICE ..... 400 Vaughn Building, 1712 Commerce Street, Dallas 1, Texas  
LOS ANGELES OFFICE ..... 3277 Wilshire Boulevard, Los Angeles 5, California  
SAN FRANCISCO OFFICE .. Russ Building, 235 Montgomery Street, San Francisco 4, California  
WASHINGTON OFFICE .... Woodward Building, 733 15th Street N. W., Washington 5, D. C.

**An association of leading American capital stock fire, marine, casualty and surety insurance companies providing insurance protection in foreign lands**

## Rate Making — McHugh

(From page 22)

and foreign insurers freely discussed plans for stabilizing world prices.

Officials of the New York Insurance Department insisted that New York had jurisdiction to reach all such situations if corrective action were necessary. This testimony suggested that New York may be asserting authority to regulate the foreign commerce of the United States which under the Constitution is the exclusive province of Congress. It further appeared that either by implied or expressed consent of other States, New York may have arrogated to itself the job of policing interstate aviation insurance rates.

The Subcommittee also studied the business of air travel insurance. It was shown that companies in this business are incurring extraordinary expenses in the rentals they are paying airport operating authorities for the space occupied by them at airport terminals. Rentals for space in major airports amount to 25 to 50 percent of gross revenue, and in some cases substantially exceed 50 per cent. Recent experience at the Washington National Airport indicates this phenomenon continues. Such bidding procedure bodes ill for new entrants into the competitive picture. Fur-

thermore, such practices are a challenge to State insurance departments, who have the obligation to review expense ratios in determining whether the insurance buying public is getting the best coverage at the most reasonable price.

Senator O'Mahoney has announced that this Subcommittee will inquire into the workings of the ocean marine insurance market. The Federal Trade Commission began an investigation of ocean marine insurance in 1949 which lasted seven years. The results of this investigation will be aired. The Subcommittee will seek a full disclosure of the basis for the Commission's action.

Current information about the ocean marine market will be presented. In particular, attention will be focused upon the special immunity from antitrust laws which Congress conferred on this industry when it enacted Sec. 29 of the Merchant Marine Act of 1920. It is appropriate in 1959 to reappraise the reasons for the 1920 exemption and to learn whether this exemption can be justified in the light of modern market conditions. Under this law the American Hull Syndicate, a combination of eighty-odd stock companies, has emerged as practically the only American market for the writing of hull insurance. Presumably, whatever competition exists comes from abroad. Congress has an obligation to scru-

tinize carefully an antitrust exemption which results in a single syndicate free of American competition and virtually without any form of government supervision.

Since the federal government is directly linked to this business by various financial arrangements, the Congress will try to learn if the public interest is adequately protected by the Maritime Administration.

### Background of Rating Study

From its very inception, this Subcommittee's study has been keyed to appraising the effectiveness of competition in insurance under State law within the broad framework of the McCarran Act. No study of competition in the insurance business is complete without an analysis of rates and pricing procedures. As all of you by this time are painfully aware, the Subcommittee on March 23 sent to each State insurance department its second questionnaire dealing primarily with rate-making techniques and the regulation thereof. It is hoped that, among other things, the statistical data compiled will afford a reasonably accurate basis for measuring the extent of competition.

In any study of rate regulation, attention focuses upon the rating bureaus. In the words of the 1958 Activities Report of this Subcom-

(More on page 26)

# R. C. RATHBONE & SON

Incorporated

ESTABLISHED 1853

## INSURANCE BROKERS

120 WALL STREET, NEW YORK 5, NEW YORK

REPRESENTED IN PRINCIPAL CITIES

TELEPHONE: HANover 2-7150

CABLE ADDRESS: RATHSON

106th Year Of Placing Insurance For Many Leading Enterprises



## QUALITY IS NO ACCIDENT

Giving more than the usual and expected is one of the reasons why Kemper companies are chosen by many of the nation's top insurance buyers for Workmen's Compensation, Boiler and Machinery and other important

lines of insurance.

Although we sell only through agents and brokers, we will be glad to give you full information through our special field representatives. Write to:

**LUMBERMENS MUTUAL CASUALTY COMPANY**  
**AMERICAN MOTORISTS INSURANCE COMPANY**  
**AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY**

**DIVISIONS OF KEMPER INSURANCE**

**CHICAGO 40**



## Rate Making — McHugh

(From page 24)

mittee (Senate Report #77): "Concerted rate making through bureaus represents the sharpest departure from the philosophy of antitrust enforcement."

This skepticism concerning rating bureau behavior is best explained in the cynical commentary of Adam Smith in his *Wealth of Nations* when he observed: "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices."

A folklore has grown up, particularly in the fire and casualty field, which assumes as gospel the doctrine that unrestricted rate competition is anathema. There are, of course, valid reasons of public policy why cut-throating rate competition should not be permitted. But the postulates upon which rate making in concert has been publicly sanctified are in need of careful scrutiny. In the terminology of that modern economic pundit, John Kenneth Galbraith, the "conventional wisdom" in insurance rate making is due for an agonizing reappraisal by Congress.

The interdiction of open rate competition found one of its earliest and most forceful expression

in the work of the Joint Committee of the Assembly and Senate of the State of New York in 1911, popularly known as the Merritt Committee. This landmark investigation in the development of insurance regulating techniques resulted in legislation which clothed the rating bureaus with legal authority and made rate filings compulsory. While fire rate wars were characterized as fierce and open competition denounced as weakening to the companies, surprising little documentation to support the charges is found in the Report of the Committee itself. Further, while there appeared to be a natural disposition to blame all the industry's ills upon rate competition, there was surprisingly little consideration paid to other possible causes of insolvency, such as mismanagement of funds, inadequate loss statistics, or inadequate capital and surplus requirements.

The pattern of rate regulation which developed thereafter in the States gave official recognition to the position of rating bureaus in setting prices in concert. But this structure of rate regulation also invited abuses. The indictment in the SEUA case reads like a black catalogue of the conspiratorial sins of stock fire insurance companies and agents. The initial drive in the Congress for complete antitrust exemption originated with spokesmen for the fire insurance indus-

try who sought protection for the traditional joint rate-making practices within the industry. The legislative history makes clear that in granting immunity from antitrust prosecution, the Congress was mindful of the rate-making role of private rating bureaus. However, as the public record shows, it was poorly informed as to the precise function the rating bureau should perform. The Congress received little illumination as to the manner in which joint rates were made. The traditional formulae used by either the bureaus in computing rates or by the commissioners in reviewing rates were not as carefully analyzed as they should have been.

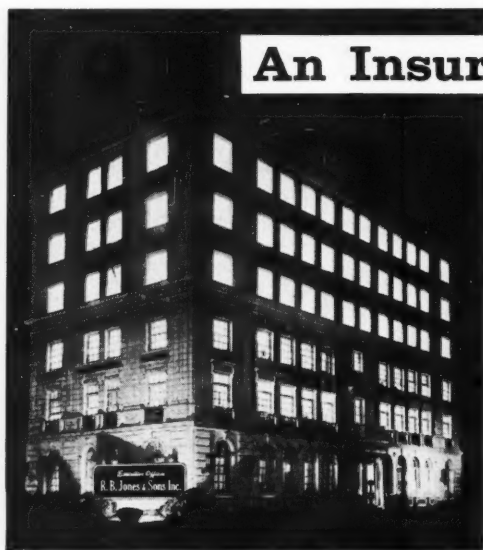
The Sherman Act strictures against price fixing in the general economy are severe. Over the years Congress has zealously resisted special pleas for exemption. Nevertheless, the pressure for speedy action did not permit Congressional determination of the legitimate limits on concerted activity by private bureaus and on the complicated insurance rating issues. Assuming the need for rate making in concert, Congress had no opportunity to consider whether an irreducible minimum of bureau activity could be established.

### The Current Rating Inquiry

Today, Congress is not confronted  
(More on page 32)

## An Insurance Agency is known by the companies it insures

... and it has been our privilege for nearly three-quarters of a century to handle the insurance affairs of discriminating companies on a world-wide basis.



# R.B. JONES & SONS INC.

*Insurance and Surety Bonds*

301 West 11th Street — Kansas City, Mo. — phone VICTOR 2-1230

Chicago • New York City (Placing Office)

The National Insurance Buyer — May 1959



# FEDERAL INSURANCE COMPANY

## *Fifty-eighth Annual Statement*

December 31, 1958

### DIRECTORS

HENDON CHUBB  
*Chairman of the Board*

ARTHUR M. ANDERSON  
*Director and Member of  
Executive Committee  
J. P. Morgan & Co. Incorporated*

HOWARD S. BUNN  
*President  
Union Carbide Corporation*

PERCY CHUBB 2ND  
*Chubb & Son*

RICHARD B. EVANS  
*President  
The Colonial Life Insurance  
Company of America*

EMORY S. LAND  
*Vice Admiral  
United States Navy (Retired)*

LEWIS A. LAPHAM  
*President  
Grace Line Inc.*

NATHAN MOBLEY  
*Chubb & Son*

EDMOND J. MORAN  
*President  
Moran Towing & Transportation  
Co., Inc.*

RICHARD D. NELSON  
*Executive Vice President  
The Colonial Life Insurance  
Company of America*

J. RUSSELL PARSONS  
*Chubb & Son*

JUNIUS L. POWELL  
*Chubb & Son*

FREDERICK A. O. SCHWARZ  
*Davis Polk Wardwell  
Sunderland & Kiendl*

BERNARD M. SHANLEY  
*Shanley & Fisher*

HOWARD C. SHEPARD  
*Chairman of the Board  
The First National City Bank  
of New York*

ARCHIE M. STEVENSON  
*Chubb & Son*

LONDON K. THORNE

HAROLD T. WHITE, JR.  
*White, Weld & Co.*

### ASSETS

United States Government Bonds . . . . .	\$ 57,806,251
All Other Bonds . . . . .	31,151,284
Preferred and Guaranteed Stocks . . . . .	5,478,140
Common Stocks . . . . .	65,116,126
Stock of Vigilant Insurance Company . . . . .	14,497,549
Stock of Colonial Life Insurance Co. . . . .	4,533,198
Cash . . . . .	9,628,564
Premiums not over 90 days due . . . . .	3,230,896
Other Assets . . . . .	5,331,191
<b>TOTAL ADMITTED ASSETS . . . . .</b>	<b>\$196,773,199</b>

### LIABILITIES AND SURPLUS TO POLICYHOLDERS

Unearned Premiums . . . . .	\$ 43,214,484
Outstanding Losses and Claims . . . . .	29,548,911
Dividends Payable . . . . .	1,543,958
Taxes and Expenses . . . . .	6,342,993
Funds Held Under Reinsurance Treaties . . . . .	3,063,579
Non-Admitted Reinsurance . . . . .	5,145,531
<b>TOTAL LIABILITIES . . . . .</b>	<b>88,859,456</b>
Capital Stock . . . . .	12,351,664
Surplus . . . . .	50,514,272
Unrealized Appreciation of Investments . . . . .	45,047,807
<b>SURPLUS TO POLICYHOLDERS . . . . .</b>	<b>107,913,743</b>
<b>TOTAL . . . . .</b>	<b>\$196,773,199</b>

Investments valued at \$6,899,529 are deposited with government authorities as required by law.



**CHUBB & SON, Managers**

90 John Street, New York 38, N. Y.

Ocean and Inland Marine  
Transportation • Fire and Automobile • Fidelity • Surety • Casualty  
Aviation Insurance through Associated Aviation Underwriters

## Charter — Thiele

(From page 20)

on all legislative matters, which heretofore was difficult to obtain.

3. We have in the past and we will continue to sponsor seminars in colleges. Indicative of this activity are the seminars which we have held in the University of Connecticut and the University of Pennsylvania. These seminars will tend to increase the knowledge of our members and will be helpful in solving specific problems of our members.
4. We presently have an Education Committee headed by C. Henry Austin (Standard Oil Company of Indiana), which is working with various colleges to establish courses as a regular part of their curriculum in risk management. Definite credits would be given for such courses which would be designed to cover the entire field of risk management, as well as specific insurance education. If we are successful in this regard, we will have accomplished a big step forward in putting risk management on a professional basis, for graduates would receive a degree similar to that now being given to certified life underwriters and certified property and casualty underwriters. Such educational programs and the resulting degrees would of course, be very helpful to young men in the future in obtaining positions with corporations in the risk management field.
5. We have in the past and will continue to take specific action on insurance matters that affect a large or total part of the membership. Indicative of our activity in this regard is the case of attempting to correct the differences in fire rating by area. In this respect, a committee has been established to study the matter and suggest corrective means.
6. Our publication "The National Insurance Buyer" is rapidly gaining nation-wide recognition as being one of the best, if not the best, insurance publications in

the country. The articles appearing therein are of value to all including those of considerable insurance experience.

7. From our membership, men all over the country are being called to speak or serve on committees having to do with insurance matters. To illustrate this you need only to pick up an insurance periodical or look at the last program of AMA.
8. Insurance conferences are virtually being held all over the country. This year there were conferences in California, Dallas, Houston, Philadelphia, Central Illinois, and Cincinnati that I know of, and probably I have missed some. Our chapters have sponsored or participated in "I" days. Not only do these conferences and "I" days demonstrate to the community your interest and ability in Risk Management, but they serve as a medium for establishing a closer relationship between producers, agents and companies.

Finally, as a new chapter, I would like to point out to you that the Board of Directors is the governing body. Each chapter is represented on the Board by one of their members whom they elect, select or choose.

The May issue of the National Insurance Buyer will be designated to the Central Ohio Chapter. All of our chapters have the practice of forwarding to the national organization copies of the talks presented by the speakers who appeared before the chapters. This gives the national organization material which they can insert into the magazine and serves as a vehicle for conveying useful information originating in the chapters throughout the national membership.

The national organization is equipped to make surveys for individual companies upon request. In other words, let's assume that a corporation desired to obtain information as to the amount of Public Liability limits which other corporations in that industry carried. Upon request to the national organization, it will circularize the portion of their membership rep-

resenting the type of industry concerned, and secure this information for the individual member. A number of such surveys have been made for member corporations.

The national organization will also assist you in obtaining speakers from time to time and you may find that this service is of some value to you.

The annual meeting of ASIM is held in Chicago in November of each year. In addition, a semi-annual meeting is held in New York in May of each year. All members are, of course, cordially invited to attend these annual and semi-annual meetings. Also, our national offices in New York are, of course, open to all members and our Managing Director, will be glad to assist you, if he can, should you happen to be in New York.

At the last annual meeting of the Board of Directors, the executive committee decided that it would be to the advantage of the membership if area or regional meetings were held of the chapters within a given area. As a consequence, the Regional Vice Presidents were directed to attempt to arrange such an area meeting during this year. As Regional Vice President for this area, I have the following chapters in my territory:

Chicago Chapter  
Central Illinois Chapter  
Detroit Chapter  
Central Ohio Chapter  
Cleveland Chapter  
Cincinnati Chapter

Because of the distances involved, I have corresponded with the presidents of the Chicago, Central Illinois, Detroit and Cleveland Chapters, requesting that they serve as committee members of a committee to organize such a regional meeting in the Fall of this year. Because of the close proximity of the Columbus and Cincinnati Chapters, I felt that I could work more easily with both of these chapters myself. However, I would like Mr. Altstaetter, your President, to work with me on this committee. I think that it is apparent that if such an area meeting could be organized with a good sound program, it is a very desirable undertaking. It

(More on page 39)

# Ætna Casualty insurance protects *Walgreens*

... and thousands of other leading  
businesses, large and small.



Famed for its fine prescription service, its variety of health and home needs, its popular soda fountains, Walgreens is the epitome of the modern drugstore. Today 413 Walgreen Drug Stores bring better health and better living to more than 200 cities across the nation.

Prescribing the right protection for a company of such scope and standards is not easy. It requires a highly experienced agent or broker\* backed by an insurance carrier like Ætna Casualty with the finest facilities from coast to coast. Ætna's highly effective

accident prevention and loss control program benefits Walgreens directly in lower insurance costs. And when claims *do* arise, Ætna Casualty claim representatives, working from some 200 offices throughout the country, are on the spot with prompt *Personal Service* . . . the kind of service which builds good public relations and develops high employee morale.

If you and your company want scientifically planned protection backed by top quality service, you will find it well worth your while to ask your agent or broker about Ætna Casualty.

## ÆTNA CASUALTY

*Quality INSURANCE for individual, family, business, home and other possessions*



Get the policies with the

**P.S.\***

\*Personal Service

Ætna Casualty and Surety Company • Affiliated with Ætna Life Insurance Company • Standard Fire Insurance Company • Hartford 15, Conn.

# CURRENT CHALLENGES FOR THE INSURANCE INDUSTRY

May 7, 1959

Sheraton-Palace  
San Francisco, California

Sponsored Jointly by Northern California Insurance Association  
and  
Northern California Chamber of Commerce

## ALL DAY SESSIONS

### SAFETY SESSION — In Cooperation With San Francisco Chapter of the American Society of Safety Engineers

#### Morning: California Experience Modification Rating Plan as an Index of Accidents

*Norval MacDonald*, Industrial Indemnity Company

*Robert Peterzon*, Industrial Indemnity Company

What is EMR plan? How does it operate? How can it reflect accident experience? How accurate and usable is it?

#### Afternoon: Selling Job Safety to Employees

*John Brooke*, Yellow Cab Company

*Ed Hinchley*, Columbia-Geneva Steel Division,  
U. S. Steel

*Joe Como*, Columbia-Geneva Steel Division,  
U. S. Steel

To be effective the safety program needs employee cooperation. Is maximum cooperation being received? How can safety be sold more effectively — new techniques, aids, approaches.

### FIRE PROTECTION ASPECTS OF BUILDING CODES

*Paul D. Smith*, U. S. Fire Protection Engineering Service, Inc.

*Ralph E. Carlson*, Office of State Fire Marshal

Codes prescribe minimum legal requirements for reasonable fire safety. Do they effectively achieve this aim? Are codes overly restrictive? Are special interest groups too influential? Are codes properly enforced? Some of the fire protection features — allowable area, height, type of construction, hazard protection, exposure protection, fire fighting features, sprinklers, vertical openings, ventilation, exit facilities.

### INSURANCE PROBLEMS OF FOREIGN OPERATIONS

*John R. Newcomb*, American International Underwriters

*Russel S. Regan*, Underwriters Service, Inc.

Analysis of exposures of domestic concerns operating outside of United States — standard policy geographical limitations — Liability and Workmen's Compensation coverage as affected by foreign laws and United States laws — terms and conditions of American policies vs. various foreign policies — markets and services available — tax considerations — centralized or decentralized control.

## MORNING SESSIONS

### REALISTIC COMPENSATION FOR AGENTS AND BROKERS

*Fred A. Banducci*, Insurance Broker

*Bradley J. Palmer*, Fireman's Fund

Present compensation methods: commissions, fees and special deals — relation of acquisition costs to "loss" costs — variable compensation based on analysis of individual producer services — effect of producer compensation on marketing and distribution — fees for new business and renewals — state regulation of commissions as a percentage of insurance rates.

### PUBLIC RELATIONS IN THE INSURANCE INDUSTRY

*Myles W. Smith*, Association of Casualty & Surety Companies

*John K. Hislop*, California State Chamber of Commerce

An analysis of present programs by insurance companies and associations in the industry — a comparison of the public relations problems of the insurance industry and the problems of other industries — are our customers and the community aware of the industry's contribution to the national economy — internal public relations of company to company and company to agents and associations.

### MISCELLANEOUS LIABILITY COVERAGES

*Howard A. Jacobs*, Lenkurt Electric Company, Inc.

*Jack C. Wells*, Underwriters Service, Inc.

What are the "unnamed exclusions" of the standard Comprehensive General Liability policy? How are these exposures insured — what markets are available for coverage — Libel, Slander, False Arrest, Non-owned Aviation, Malpractice, Advertiser's Liability, Personal Injury — the Umbrella policy coverage.

The National Insurance Buyer — May 1959



# FOR THE INSURANCE INDUSTRY

May 7, 1959

Marion-Palace Hotel  
San Francisco, California

Northern California Chapter, ASIM  
and  
California Chapter of CPCU

## SMALL RISKS SURVEYS

*George H. Bingham, Johnson & Higgins of California*  
*Henry W. Scheuer, Liberty Mutual Insurance Company*

Reasons for surveys — an evaluation of survey contents — action to follow survey — revision of out-dated surveys, possibility of volume production of surveys, a realistic evaluation of the written survey as a production tool with practical expense considerations — coordinating brokerage or agency functions toward effective surveys.

## EXTENDING PACKAGE POLICIES TO NEW AREAS

*H. L. Hilleary, Standard Oil Company of California*  
*R. Cathcart, Commercial Union Group*

Is there a real need for policy consolidations — what has been the reaction of the public to packaging of coverages — is simplification of terms and conditions possible — can liability coverages be added to physical damage packages — what has been the loss and expense record of existing package policies?

## LUNCHEON

### "Current Challenges for the Insurance Industry"

*Robert E. Battles, Vice President*  
*R. A. Rowan & Company*

## AFTERNOON SESSIONS

### ADMINISTRATIVE PROBLEMS IN PROVIDING MULTI-LINE CONTRACTS

*Fred L. Brenlin, America Fore — Loyalty Group*  
*Marett Boissevaine*

Consolidation of separate underwriting departments in company and brokerage offices — what is the trend — what are the personal problems — which approach would produce best results for buying public — what are the economics of such changes — effects of multi-line departments on other department function such as statistical and accounting departments.

The National Insurance Buyer — May 1959

### USE AND OCCUPANCY ACCOUNTING — COVERAGES AND CLAIMS

*Kenneth W. Withers, General Adjustment Bureau*  
*Frank H. Baker, Baker & Waaland Co.*

Relation of accounting terms and definitions to the insurance contract — discussion of the coverage clause and the co-insurance clause — what is a key employee and what is a proper deduction for ordinary payroll — the effect of inter-dependency in loss adjustments.

### UP-DATING BOILER AND MACHINERY INSURANCE

*Ellis M. Gates, Mutual Boiler & Machinery Insurance Company*  
*Henry P. Zani, Johnson & Higgins of California*

A critical review of coverage and service — are they meeting changing needs — inspection service costs to the small, medium and large buyer of boiler insurance — should existing rating methods be altered — retrospective rating applied to boiler insurance — historical loss and expense ratios as a means of efficiency of this class of business.

### PRODUCTS LIABILITY — COVERAGE AND CLAIMS

*Richard C. Carniglia, Fireman's Fund*  
*William R. apHugh, Foremost Dairies, Inc.*

Policy period of coverage — accident vs. occurrence — warranty of product as implied or stated in contracts — exclusions in coverage — limits of liability — should coverage be broadened to include contingent or indirect damages — bodily injury and property damage claims.

### APPLICATION OF THE GROUP INSURANCE PRINCIPAL TO PROPERTY AND CASUALTY INSURANCE

*Douglas M. Temple, Pacific National Fire Insurance Co.*  
*Manual A. Marino, Safeco Insurance Company of America*

Present state laws affecting group or fictitious fleets — advantages to the public, companies and agents with group coverages — types of insurance that lend themselves to group placement — underwriting factors to consider — collection and processing of group premiums.

## Rate Making — McHugh

(From page 26)

with the necessity of legislating to overcome a Court decision which threatened to disrupt the industry. Therefore it is appropriate now, in the light of changing circumstances and in view of the statutory scheme of rate regulation evolved by the States, for Congress to expect rating bureaus to make an adequate justification for continuing all the functions they now exercise.

The literature on the subject of rating bureaus has sometimes blandly assumed the necessity of joint rate making on the ground that reliable statistics to measure scientifically the hazard involved requires collaboration among insurers. A single company, it is claimed, does not have sufficient volume of business to render its own experience a safe guide for the future. This argument may be sound, but the breadth of its claims makes it suspect. What the argument ignores is that there exist other equally important components of the premium which do not depend for their reliability upon a competitor's experience, such as overhead costs and profits. This fact is adequately demonstrated by the reasonable success of independent companies.

The argument that a bureau-made rate must embrace all components of the premium is decep-

tive. Stripped of this camouflage, the operations of the bureaus can be critically examined by the Subcommittee on their merits. The basic issue is whether or not the type of open price competition commanded by the Sherman Act is suited to insurance in view of the possible effects, such as endangering solvency and driving the small companies out of business.

The legislative history of Public Law 15 sheds little light upon the type of State rate regulation Congress deemed desirable. The House Report decried compulsory bureau membership, urged independence of action, and proclaimed the Congressional belief that competitive rates on a sound financial basis are in the public interest. But little can be gleaned of the Congressional attitude towards the techniques of bureau rate making.

If the rating bureaus are unable to justify the broad grant of power over rates they now possess, the Subcommittee may wish to consider whether the public interest would be better served by a different system. Among the suggested possibilities is the system whereby each insurer sets its own rates but where all companies would belong to a statistical bureau. This agency would develop pure premium upon the combined loss experience of all carriers since practice has demonstrated that sound actuarial principles requires the pooling of experience. No com-

pany would be permitted to charge a rate less than this pure premium. Final rates would be calculated by each insurer loading the pure premium with the amount deemed necessary for overhead, including acquisition costs, and profits. This would allow for competition on each element of the premium dollar except the amount allotted for losses. Many technical difficulties would still have to be solved under this proposed system. Some precedent already exists in the life insurance field for this approach to rate determination and regulation. In its brief in the SEUA case the Department of Justice advanced this concept of rate making.

If State laws relegated the role of rating bureaus to pure statistical agencies in this fashion, it would be appropriate to apply the federal antitrust laws to concerted rate practices beyond those specifically authorized by State laws. If greater latitude for rate competition by this or any other system were thus allowed, the way would be open for minimizing the burdensome regulatory duty which now devolves upon the insurance commissioner. Many students of rate regulation, including at times the New York Department itself, have sought to determine whether before more laws were enacted, the States could get along with fewer. The Jeffersonian doctrine that that government is best which governs

(More on page 34)



*The  
Oldest and Largest  
of the  
Factory Mutual  
Companies*

# MANUFACTURERS MUTUAL FIRE INSURANCE COMPANY

PROVIDENCE, RHODE ISLAND

LEADERS IN BROAD COVERAGE AT LOW COST SINCE 1835



How the friendly **AM** man solved  
"The Case of the Dangerous Doll"

**And helped reduce accidents 50%, cut insurance costs for an American Mutual Policyholder.**

The doll looked like an innocent plaything but on the production line it proved to be a painful problem.

The hazard was in sewing hair on the doll's head—a tricky operation that maimed many a finger and sent Workmen's Compensation costs soaring. Then a Safety Engineer from Mr. Friendly's Company—American Mutual—was called in.

After thoroughly studying the operation, this AM man suggested and helped to design special machine guards. At the same time, he set up an accident prevention program

on a company-wide basis, including a Foreman Safety Training Course. As a result, the accident rate was cut by 50% and severe accidents by 66%! Production went up, insurance costs went down—as they have for so many AM policyholders.\*

If you think your Workmen's Compensation costs are out of line, now is the time to see the man who can advise you on all your liability insurance needs—your *friendly AM man*. American Mutual, Dept. NB-2, Wakefield, Mass.

**American  
Mutual**   
**LIABILITY INSURANCE COMPANY**

\*Continental Mills of Lewiston, Maine, another AM policyholder who profited through good safety experience, saved \$86,458 in 14 years (difference between manual rates for this industry and rates actually paid) . . . gained another \$20,888 through AM mutual dividends.

"The First American Liability Insurance Company" . . .  
a leading writer of Workmen's Compensation, all forms  
of Liability, Crime, Accident and Health Insurance.

## Thousands In Excessive Premiums Disclosed On \$1 Million "Over-Valuation"

A major retailer was carrying contents insurance on equipment valued at \$1,800,000 based on an obsolete appraisal. During a review of their operation by Marshall and Stevens, valuation engineers, it was discovered that by reallocation of some items, elimination of deleted items and re-evaluation of others, the true value of the insured equipment was \$800,000 — not \$1,800,000. Thus insurance premiums on an excessive \$1,000,000 could be eliminated, saving thousands of dollars.\*

### Appraisals for Specific Purposes

This story points two morals. First, that an up-to-date appraisal is of vital importance since without a continual review, values become inflated. Second, the fortunate selection of Marshall and Stevens resulted in a thorough appraisal that resulted in great savings to the client.

Marshall and Stevens' staff of experienced appraisers are qualified to analyze your particular valuation problems, and prepare appraisals for the following purposes: fair market value, mergers, re-financing, insurance, proof of loss, income tax, gift tax, segregation of purchase price, inheritance tax, catastrophe damage value, accounting and tax assessment for public agencies as well as private owners.

**MARSHALL AND STEVENS** is an international appraisal company offering local personalized appraisal service. Offices in Chicago, Cincinnati, Dallas, Denver, Detroit, Honolulu, Houston, Los Angeles, Miami, Minneapolis, New York, Philadelphia, Phoenix, Richmond, St. Louis, San Francisco, Vancouver, B. C.

The informative booklet "Purpose of Appraisals" is yours for the asking. Call or write **MARSHALL AND STEVENS**, Dept. CHD.

**MARSHALL and STEVENS**  
INCORPORATED  
Appraisal Engineers

420 Lexington Ave., New York 17, N. Y.

\*Actual case history on file.

## Rate Making — McHugh

(From page 32)

least might well be applicable to insurance. Apart from the burden upon insurance departments, detailed rate regulation is irksome, time-consuming, and costly for the insurance carriers.

The real question is whether a system freer rate competition would result in lower costs to the insurance buying public than those produced under the present regulatory structure. The proposal for freer rate competition does not ignore the question of company solvency since such a plan would require emphasis upon more frequent and careful company examination to determine the adequacy of revenues and the soundness of financial structure. Or, in other words, is there any reason to believe that honest competition would promote unsound insurance companies?

In pursuing the question of rate-making in concert under State supervision, the Subcommittee will wish to examine the experience of those major classes of insurance in the United States not subject to this matrix of rate regulations and the rationale therefor. Also it is noteworthy that the United Kingdom, with a considerably longer history and broader experience, has encouraged rate competition and has not seen fit to superimpose on the insurance industry the American type of rate regulation. The concept of rate regulation embodied in the California rate laws will also be considered because of their invitation to greater competition.

One of the most vigorous criticisms the Merritt Committee Report made of open rate competition — and repeated by various authorities thereafter — was that it resulted in discrimination in favor of the big policyholder with influence. This hardly seems a valid objection today where the States have anti-discrimination statutes for correcting just such abuses. It is probably true that if the more competitive rate-making mechanism were in vogue, more sophisticated

types of anti-discrimination statutes should be devised. It might be necessary to employ certain of the concepts of the Clayton Act whereby discrimination is not interpreted to mean differentials necessary to meet competition.

The findings of the Merritt Committee, while grounded on the facts of that day, in retrospect hardly seem appropriate in terms of the modern economic environment and structure of the general insurance industry. It is pertinent to inquire whether the current economic and competitive atmosphere have made past theories of rate regulation antiquated.

Basically, the statutory rating scheme adopted by the States in compliance with the mandate of Public Law 15 is embodied in the All-Industry Model Rate laws for fire and casualty. The travail of the industry in the hectic days of the moratorium attests to the earnest desire of the great majority of the industry to enact State laws in conformity with the McCarran Act. But all jurisdictions did not adopt the model bills, and some which did approved modifications which drastically altered the regulatory pattern. The Subcommittee will evaluate these different State approaches to rate regulation, particularly as they bear upon the freedom to compete.

A limited number of State laws, and the District of Columbia, now make membership in rating bureaus compulsory. Proponents of such a strait jacket on independence of action have not abated in their efforts to convince additional legislatures to adopt this course. It will be appropriate for this Subcommittee to give attention to the District fire rate laws and determine whether legislative changes should be recommended.

While the model rate laws give legal sanction to rating bureaus possessing monopolistic powers, defenders of the legislation insist that adequate competition is guaranteed through the deviation and independent filing provisions. Direct writers and others selling at less than full bureau rates do not

(More on page 42)

The National Insurance Buyer — May 1959



# COMMERCIAL UNION GROUP

## RESOURCES for protection

**FIRE**

**CASUALTY**

**BONDS**



**AUTO**

**MARINE**

**AVIATION**



Prominent in today's thinking are the huge resources that must be budgeted for National Defense. They reflect the enormous cost of defending our country and our freedom.

Of particular interest to those people and businesses that buy insurance, are the "Resources for Protection," of the companies in which they are insured. Such resources are the basis of the individual and business security of thousands of our citizens and are therefore also vital to our national defense. Sound management, steadfast adherence to proven standards of financial practice and strict compliance with statutory safeguards underlie the Resources of The Commercial Union Group of Insurance Companies shown below for public information. These demonstrate that the policyholders of our companies are assured of adequate Resources for their Protection.

### United States Resources - December 31, 1958

COMPANIES OF THE COMMERCIAL UNION GROUP	*ADMITTED ASSETS	LIABILITIES	CAPITAL OR STATUTORY DEPOSIT	SECURITIES DEPOSITED AS REQUIRED BY LAW	SURPLUS TO POLICYHOLDERS (Including Capital)	
					ANNUAL STATEMENT BASIS	MARKET-VALUE BASIS
Commercial Union Assurance Co. Ltd. † ORGANIZED 1861	\$ 41,185,973	\$26,605,245	\$ 500,000	\$1,183,882	\$14,580,729	\$13,399,883
The Ocean Accident & Guarantee Corp. Ltd. † ORGANIZED 1871	38,774,878	24,175,131	850,000	1,259,759	14,599,747	13,903,352
American Central Insurance Company ORGANIZED 1853	20,331,742	11,411,712	1,000,000	984,384	8,920,029	8,344,562
The British General Insurance Co. Ltd. † ORGANIZED 1904	4,555,257	1,934,010	500,000	949,024	2,621,247	2,437,840
The California Insurance Company ORGANIZED 1864	11,838,620	6,809,036	1,000,000	617,738	5,029,584	4,727,042
Columbia Casualty Company ORGANIZED 1920	23,096,850	14,505,078	1,000,000	906,764	8,591,772	8,090,434
The Commercial Union Fire Ins. Co. of N.Y. ORGANIZED 1890	9,814,957	5,802,031	1,000,000	467,222	4,012,925	3,717,443
The Palatine Insurance Company Ltd. † ORGANIZED 1886	7,269,052	3,868,021	500,000	1,071,990	3,401,032	3,164,740
Union Assurance Society Limited † ORGANIZED 1714	6,800,648	3,868,021	500,000	1,068,406	2,932,627	2,715,131
<b>Total - Group</b>	<b>\$163,667,977</b>	<b>\$98,978,285</b>	<b>\$6,850,000</b>	<b>\$8,509,169</b>	<b>\$64,689,692</b>	<b>\$60,500,427</b>

† United States Branch

The Amount shown under "Capital or Statutory Deposit" is the amount required in order to transact business in the United States.

\* Includes Securities Deposited as required by Law.

### THE COMMERCIAL UNION GROUP

HEAD  
ONE PARK AVENUE



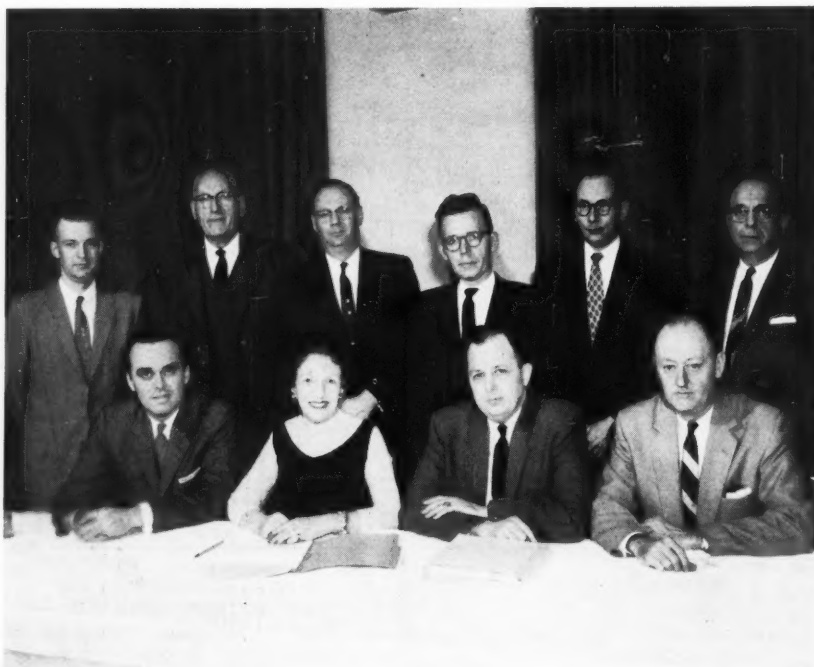
OFFICE  
NEW YORK, N. Y.

ATLANTA

CHICAGO

SAN FRANCISCO

## Newly Elected Officers and Directors of Chicago Chapter, ASIM



Officers (seated — left to right): Mr. Frank A. O'Shaughnessy of Container Corporation of America, Vice President; Miss Ann Auerbach of Goldblatt Brothers, Inc., Secretary; Mr. E. R. Zimmerman, American Bakeries Company, President; and Mr. Geoffrey J. Burns, Continental Illinois Bank and Trust Company of Chicago, Treasurer.

Directors (standing — left to right): George E. De Wolf, Jewel Tea Company, Inc.; Roland M. Schenck, Stewart-Warner Corporation; Philip B. Gehrke, Joslyn Mfg. and Supply Corp.; R. B. Wiltse, Automatic Electric Company; Paul Kipp, United States Gypsum Company; and James A. Philhour, Encyclopedia Britannica, (Not present is Eugene E. Williams of Collins Radio Company, a Director.)

### Safety — McDermid

(From page 16)

ployment itself. So the English courts, to fill a sociological need, simply created a fiction or presumption that the mere existence of employment was enough to prove that the employer was liable for the negligent act of his employee. And in 1799 an English court went all the way and even held an employer liable for the misconduct of a Servant of an independent contractor. However, it became well established that in order to constitute the Master and Servant relationship for the purpose of fixing liability on the Master for acts of the Servant, it is necessary that the employer have

the right to control the Servant while in the Master's employment. The liability of the Master under those circumstances is common knowledge. And you safety men accept it and do all you can to devise measures of safety for the employers' employees and the public with whom the employer is dealing.

I want to make sure that I have put this point across: — *the Master's liability for the negligent acts of his servant is predicated upon a social philosophy of the law.* The liability is a matter of policy — the losses are placed upon the Master as the one best able to bear them and to distribute them through prices, etc. There is no abstract moral reason for striking the employer in such cases. However, because the employer's liability is

clear and well settled in these cases — the safety man gets the green light — do everything you can to protect the public from getting killed or injured as a result of an act of employees. This you do — and this you do well.

### The Independent Contractor

Now let us take a look at this so-called independent contractor. What is there in this area — in this business relationship that tells the company safety man to lay off — that tells the safety man that if a member of the public is killed or injured as a result of a negligent act of an employee or an independent contractor — it is the contractor's concern—not ours? Now if this feeling exists by the employer or contractee — there must be some doubt in his mind as to its validity —because you all know for all practical purposes — the contractee covers himself with insurance, has indemnity provisions in his contract with the contractor — and if someone is hurt that someone sues the company and the contractor and, by golly, in many cases, the company pays directly or indirectly. But regardless of all that, or in the light of all that — the safety man may be hesitant about helping in independent contractor situations? Why? Because someone has told you that once you do that you are controlling the independent contractor — the contractor loses his independence and, in that event, the law provides that a Master and Servant relationship exists with all the responsibilities and liabilities that go with it. That by possibly gaining control of the work you lose the legal advantage of doing business with an independent contractor. Well, what about that?

### Another Look at The Law

Let us take another look at the law. A law that is based exclusively on sociological and economic considerations is almost bound to develop exceptions — it bobs and weaves with the times — with the thoughts and thinking of millions and millions of people. And we

More on page 38)



## On a firm foundation for future growth

We are on a strong foundation, and we are building soundly for the future.

The strength of the Hartford is attested in many ways.

*By the sum of our fire and casualty claim payments.* In 1958, the Hartford Group paid out more than \$234 million to meet the losses of policyholders.

*By our policyholders' surplus of \$363 million* — a guarantee that our organization is in position not only to meet future losses but to satisfy the growing insurance needs of our nation's expanding economy.

We are building for the future in other ways, too. We are opening new offices and expanding our services to policyholders, to our agencies and to independent brokers. We are developing new and improved policies to keep pace with changing conditions . . .

A most important advance in this respect is the availability — for the first time in the Hartford's history — of Hartford-quality protection in *life insurance*. These new policies are being offered through the facilities of an established company — the Columbian National Life Insurance Company of Boston, Massachusetts — which we are proud to welcome as a member of the Hartford Group.

For our 34,000 loyal Hartford Group Agents and 10,400 staff members throughout the United States and Canada, may we say that the enlarged facilities of the Hartford Group are bent toward the objective of providing complete insurance protection and superior service to our policyholders and the public.

We intend to carry on in the same spirit, in the same tradition that has made the name Hartford — and the Hartford Stag trademark — synonymous with dependable protection for over 149 years.

Protection for family • home • car • business

### **HARTFORD FIRE INSURANCE COMPANY GROUP**

Hartford 15, Connecticut

HARTFORD FIRE INSURANCE COMPANY • HARTFORD ACCIDENT AND INDEMNITY COMPANY • HARTFORD LIVE STOCK INSURANCE COMPANY  
CITIZENS INSURANCE COMPANY OF NEW JERSEY, HARTFORD 15, CONN. • COLUMBIAN NATIONAL LIFE INSURANCE COMPANY, BOSTON 12, MASS.  
NEW YORK UNDERWRITERS INSURANCE COMPANY, NEW YORK 38, N. Y. • TWIN CITY FIRE INSURANCE COMPANY, MINNEAPOLIS 2, MINN.



**LUMLEY, DENNANT  
and  
COMPANY, INC.**

Specialists in  
SPECIAL RISKS

- "Umbrella" Liability Contracts
- "All Risks" on Real and Personal Property
- Fire on Deductible Basis
- Special Coverages for Banks
- Contractors Coverages (home and foreign jobs)

Represented at

**LLOYD'S**

and throughout the world

by

**EDWARD LUMLEY**

**& SONS, LTD.**

London, England

Canada	Malaya
Australia	Ceylon
New Zealand	South Africa
France	Singapore

**Business Written  
for  
Brokers and Agents  
ONLY**

60 East 42nd Street  
New York 17, New York

1211 Garrett Building  
Baltimore 2, Maryland

37 Lewis Street  
Hartford, Connecticut

**Safety — McDermid**

(From page 36)

must take note of the fact that the principal social, political and economic objectives of the 19th century were commercial exploitation or industrial progress and expansion, as it was frequently called. The pressure of the industrial revolution coupled with the relative absence of a social conscience combined to demand judicial decisions more conducive to business. It was in this atmosphere that the independent contractor doctrine was created with its legal immunity running to the employer—or contractee and as an exception to the Master and Servant rule. A means was developed through which employers could do business without the retarding fear of vicarious liability. One of the first cases was decided in England in 1826, and for fifty years employers could take a smug and confident attitude that employees of an independent contractor could kill and injure all the people they wanted to and it was their business and not the employer's. All the employer had to do was tell the contractor to get his job done the way he wanted it done—and it was up to the contractor to carry on from there. The contract had to be prepared carefully and technically to make sure that the contractor was independent in the legal sense. And for fifty years the courts let the employer get by with that. The theory of course was that the employer had lost control over the work. That is, he lost control over the details by which the contractor accomplished the result. And as I told you before, one of the fundamental elements in the Master-Servant relationship was control by the Master over the Servant. With this element apparently lacking, the English court in 1826 freed the Master of his liability to third persons, and so it went for fifty years. However, as social responsibilities to employees and the public became more and more the mode of the day and the mood of the people as a whole — the courts started taking a closer look at this rule of employer or contractee im-

munity. Social pressure compelled the courts to start finding other reasons and ways to find the employer liable. In 1876 an English court in the case of *Bower & Peat* created the first major exception to the employer's immunity. So we had the rule of Master and Servant, the exception to the rule in the independent contractor doctrine — and now an exception to the exception which throws the liability back to where it was in the first place under the Master-Servant rule. The *Bower* case is authority for the principal that when an independent contractor is employed to do inherently dangerous work, the contractee is liable for his wrongdoing. In the case, *Peat*, a landowner contracted with an independent contractor to carry the foundation for his new house to a depth lower than Bower's foundations. In the course of the work the builder did a faulty underpinning job and Bower's property was damaged. Peat was held liable without any proven misconduct on his part. The court held Peat was under a duty to see at least that the usual precautions to avoid injury be taken. So in this case the employer or contractee was liable to third persons because the independent contractor was doing inherently dangerous work—that is the kind of work which might result in an injury to third persons—which is almost any kind of work. If the independent contractor is doing the kind of work which is inherently dangerous to others — the employer or contractee is liable to the injured third person. Now, don't ask me when a contractor is doing inherently dangerous work—I doubt if any lawyer could advise as a general matter with certainty on this subject—but there's an exception to this exception—which helps the employer. If a third person is injured as a result of a danger *collaterally* created by the independent contractor, then the employer or contractee is not liable—this exception in effect immunizes the employer or contractee. Let me give you an example of collateral negligence by the independent contractor that releases

(More on page 40)



## Charter — Thiele

(From page 28)

is, of course, a new venture for the society and we would very much like to have the support and cooperation of all of the chapters. After the committee has had an opportunity to meet, I will advise you more definitely in this regard.

By the formation of the Central Ohio Chapter, the American Society of Insurance Management, Inc., has another "first." Ohio is the only state in the union with three ASIM chapters.

I would like to pass on to you some ideas that the Cincinnati Chapter has found productive.

1. We solicit our membership asking them to indicate by order of preference the topics they are interested in. Our program committee then uses this information to provide speakers and panel discussions with the higher degree of interest to the membership. The program is worked up for the entire year and copies distributed to the membership. In this manner attendance at our meetings is kept at a high level. I have copies of our program for this year which you can use as information in this regard if you desire.
  2. We have found that a December Christmas Party to which wives are invited is a means of keeping our chapter members more interested.
  3. There is an Information Committee appointed which attempts to answer specific questions of members on a confidential basis. I am Chairman of this committee and I can tell you that it is an asset to Chapter members.
  4. We have found that panel discussions with closed meetings are more interesting to our members than scheduled speakers. This does not mean that we have all panel discussions, but we try to have two or three each year.
- Thank you very much for allowing me to speak to you and to present this Charter to you. Please accept my warmest and best wishes for success in the future."

The National Insurance Buyer — May 1959



## You insure it when you own it ...why not when you don't?

When shipment is made—title passes to the purchaser. In place of your product there is now an account receivable. It is sound to insure while you own the product . . . equally sound to insure when *your customer* owns the product, and owes *you* for it. American Credit Insurance, by protecting accounts receivable, plays a major role in good management . . . makes a basic contribution to financial security and sales progress.

SEND FOR BOOKLET on the many advantages of modern credit insurance. Write AMERICAN CREDIT INDEMNITY COMPANY of New York . . . Dept. 33 300 St. Paul Place, Baltimore 2, Md.



Protect your investment in accounts receivable  
with **American  
Credit Insurance**

ANY ACCOUNT...NO MATTER HOW GOOD...IS BETTER WITH ACI

## Safety — McDermid

(From page 38)

the employer from liability.

It has been held that when a servant of a contractor splashed mortar from a mortar box on the ground into a plaintiff's eye that the negligence was collateral (contractee not liable), but not when the mortar was splashed from a wall in the course of construction onto the plaintiff's windows and clothes (contractee liable). It was collateral negligence to drop a bucket of paint out of a window while painting an inside storeroom (contractee not liable), but not while painting sign over a sidewalk (contractee liable). The most operative guide seems to be whether the risks are inherent in the normal performance of the work or arise from the abnormal and unusual misconduct of the worker in which case the negligence is collateral and the contractee not liable. It is this close question of inherent dangers vs. dangers collaterally created by the independent contractor that compounds the confusion in this field of the law. In this area alone is a reason for taking out liability insurance and requiring indemnification provisions in contracts with contractors. But still as long as an independent contractor is involved, safety men are often advised not to interfere.

It frequently happens that courts will hold a *contractee* liable for acts of his *contractor* on the grounds that the *contractee* is under a non-delegable duty to the plaintiff. The

non-delegable duty situations arise, especially perhaps in the public utility field, where the contractee or utility company is operating under a license or franchise which obligates it to prevent harm to the public as well as render adequate and safe service. A case in point involved a power company in California in 1955. When linemen, employees of an independent contractor, sued the power company for injuries caused by the fall of a power pole negligently set by the contractor, the court held that the order of the Public Utilities Commission requiring that power poles be set to a minimum depth, imposed a non-delegable duty on the power company and the plaintiff's prevailed.

There are other situations under which the liability is tossed back to the contractee—such as negligence of the contractee, an injury necessarily resulting from the work such as where the work involves the commission of a trespass or creates a nuisance or when the employer employs an incompetent contractor. There are many exceptions — as the Supreme Court of Minnesota so aptly put it when it said, "Indeed, it would be proper to say that the rule (the rule of the independent contractor) is now primarily important as a preamble to the category of its exceptions." Yes, sir, there is a slow erosion of the independent contractor doctrine. In these examples that I have given involving inherent danger and non-delegable duties, the liability is there — just like it was a Master-Servant relationship.

The decisions in this area have nothing to do with control — the contractee is charged even if there is no control at all over the activities of the independent contractor. It is just like the contractor's employee is the contractee's employee — your employee. If these things exist and there is also control, then we have that additional peg upon which the court may hang its hat and hold the employer liable. Because, once you have control by the contractee over the contractor, you create a clear Master and Servant relationship in law and the employer is liable and the court doesn't have to ponder over inherent danger facts or non-delegable duty facts in order to hold the employer liable. The books are full of control cases — and if I should take the time to read the thousands of cases on the subject I don't think I could put them in slots or categories and say, "if you do this there is liability" — "if you do that there is *not* liability." Even if I could, we have a changing social conscience, and I wouldn't be surprised if our courts one of these days and in one of our states went back to 1799 and ruled as did the English court that the employer is liable for the misconduct of a servant of an independent contractor — period — no ifs, no buts. The Minnesota court hinted of that. As of now though and very generally speaking, if the employer does not go beyond the limits of his right to supervise results — then he is not chargeable.

I have mentioned all of this sim-

(More on page 41)

## Koppel Printing Company, Inc.

225 West 39 Street, New York 18, N. Y.

Longacre 5-4270

DESIGN and TYPOGRAPHY • COMPOSITION • LETTER PRESS PRINTING  
OFFSET LITHOGRAPHY • PHOTOENGRAVING • BINDING • MAILING

Printers of "The National Insurance Buyer"

## Safety — McDermid

(From page 40)

ply to show that even by the use of this so-called independent contractor, the employer is still exposed to liability — and the safety man stands aside.

I have commented primarily on the employer's liability to third persons when conducting business through a contractor. I have commented very little about the contractees' liability to *employees* of the independent contractor.

### Employees of the Independent Contractor

Generally speaking, a contractee's liability to the contractor's employee's is not as extensive as his liability to third persons. But this is a very involved subject — and in the space allotted I can just hint at it. Of course, if the contractee controls the work — the independent contractor doctrine dissolves and the Master-Servant relationship is created and the contractor's Servants then become the Servants of the contractee. Again — usually, one having work done on his premises by a contractor is under obligation to use *ordinary care* to keep the premises in a reasonably safe condition for the employees of the contractor. What constitutes *ordinary care* is a question of fact and law. Courts and juries have decided hundreds of these cases and the results are far from uniform — suffice to say that there is a potential liability on the part of the employer or contractee. Likewise where the contractee is required to furnish appliances for work, or furnish materials to be used in the performance of the work and by reason of his failure to do so an employee of an independent contractor is injured — the contractee may be liable. And so it goes. If the contractee owes *some duty* to the contractor's employee and fails to perform that duty and such nonperformance was the proximate cause of the employee's injury or death — the contractee is liable.

The books are full of these cases in every jurisdiction. The point is, that an employer is also exposing

himself not only to the public but also to the employees of an independent contractor. For an employer to feel secure by utilizing the independent contractor doctrine today is simply unrealistic — it is living in England between 1826 and 1876. Those days have gone forever.

### The Safety Program

The safety man plays a key role

in the Master-Servant-Public relationship. There is no doubt about that. He plays a key role in advising others — members of the public with whom the employer has no contractual or other legal responsibilities. It is good business, it is good public relations and, most important, it is the humanitarian,

(More on page 44)



## UNITED STATES AIRCRAFT INSURANCE GROUP

Founded 1928

We have the ability and financial strength  
to fully insure corporate aircraft

*Thirty years experience*  
*Sixty-two Member Companies*

Insure with the "US Group" through  
your own agent or broker



## UNITED STATES AVIATION UNDERWRITERS

Incorporated

110 WILLIAMS ST., NEW YORK 38, N. Y.

CHICAGO • ATLANTA • DALLAS • HOUSTON  
LOS ANGELES • SAN FRANCISCO



## Rate Making — McHugh

(From page 34)

complain of this rating bureau principle. But this fact should not deter the hard look required by the Congress at joint rate making. For the ability of the deviator or independent to obtain business at lower rates exists because of the high protective umbrella over rates which the rating bureau provides. The independent or deviator is successful in part because an artificial rate structure emerges from the bureau which has not been tested by the free play of competition.

But apart from theoretical objections to laws approving rate making in concert, the Subcommittee is confronted with a multitude of day-to-day-situations in which the freedom of independent action is being frustrated in practice. While the questionnaire will develop factual data as to the number of deviations and independent filings, and indicate the trends, a quantitative study is not conclusive. The Subcommittee will seek to ascertain whether independence of action is succeeding in those cases where the rates have the greatest impact upon the public.

For a number of years, certain of the dominant bureaus have been engaged in open conflict with the leading independents. According to the independents, the harassing techniques, both administratively within the departments and by litigation in the courts, have frustrated efforts to generate competition and have denied the public lower rates and broader coverage. Indications are that, far from diminishing, the tempo of opposition to independent action has increased within the past year. The battle began in earnest when the Insurance Company of North America decided the deviation route was too cumbersome and determined to file independently for certain rates while remaining a subscriber to the bureau for other rate filings. Its right to partial subscribership, which was taken to the Supreme Court, was upheld in *Cullen v. Bohlinger*. Important deviation cases have been decided recently or are in litigation in New York,

Massachusetts, Ohio, and New Jersey. In both West Virginia and North Carolina deviations were approved on the basis that the profit factor in the rate is permissive but not mandatory. The decided cases under the "All Industry" law have consistently vindicated the position of the proponents of independent action.

An equally important question is whether deviations or independent filings should be allowed without any previous loss experience within the jurisdiction. The picture would not be complete without learning whether such filings involve loss leader selling and other unfair practices which may contribute to future dominance by large independents.

The minority States requiring membership in fire rate bureaus confine competitive activity to the "Deviation" and "Minority appeal" provisions, thereby narrowing the competitive latitude. The Supreme Court of Washington is now reviewing a lower court decision which upheld the Commission's ruling that the statute requires a company to authorize the rate bureau to make all of its filings, or none, expressly prohibiting a company from authorizing a bureau to make some but not all of its filings. It is contended that such a law is essentially a mandatory bureau law: that is to say, a law by which the State delegate power to set rates only to a privately managed bureau. Can such power be trusted to private hands?

One of the most serious obstacles to competitive rate filing lies in the special position of the bureau as a party in interest in opposing independent filings. The ability to finance harassing litigation is crucial to this issue. When competitors are allowed to employ the resources of 200 or more companies acting through a rating bureau, the unequal position of the lone independent becomes apparent. Rating bureaus have generally been recognized as "aggrieved parties" under the statutes in opposing independent filings. However, there is some indication that the New York courts may reconsider this question in one of the pending

cases. When the pattern of rating bureau opposition in different States and widely different areas is substantially identical, involving bureaus, advisory agencies, and companies having interlocking relationships, independent rating becomes more difficult. Rather than take on such a fight, many may elect to "play the game." This Subcommittee will certainly wish to determine whether changes in the law are needed respecting the legal rights of the bureaus.

In approaching its task, the Subcommittee would be well advised to begin with the series of searching questions Senator O'Mahoney propounded to the Judiciary Committee in 1943 when Congress was studying this matter. They are equally pertinent in 1959. Among the questions he framed were the following:

"1. What is the plan on which the underwriters are organized on a national scale? What are the powers and functions of this organization and from what public source did it receive its authority? What is its relation to the insurance authorities of the several States?"

"2. How are the regional associations formed? How are they governed? Who determines what States shall be assigned to the respective associations? What are their functions? What differences are there among them? Are the rules and regulations ever changed? If so, by what process?"

Are the States consulted about their organization? What reports do they make to State authority or to any public authority?

"3. How are the rate bureaus organized and governed? What is their relation to the States? To the regional organization of underwriters? To the national organization?"

### The M-1 Report

Probably no more significant issue confronts the insurance industry today than the rating of multiple peril risks in both the dwelling and commercial property



fields. The package policy or all risk policy is becoming increasingly in demand by the public. It is one of the latest innovations in the American insurance industry designed to meet the coverage needs of the public in a more economical fashion. The battle rages over who shall control this type of policy. In essence, it appears to involve a basic conflict between the rating organizations and the independents.

The multitude of questions centering around this thorny issue have been brought into focus by the Subcommittee to Study the Statistical, Rating and Filing Problems of Multiple Line Contracts of the N.A.I.C., and referred to as the M-1 Subcommittee. Formed in 1956, the M-1 Subcommittee presented its report to a cross-section of the industry in April 1958. Its hardhitting recommendations were a challenge to rating bureau control over the rating and filing of package policies. Industry spokesmen at the June 1958 N.A.I.C. meeting obtained permission to form an all-industry committee to study the Report and make recommendations to the December meeting of the Association. The resulting multiplicity of reports presented at the New Orleans meeting bears testimony to the furious turmoil in the industry precipitated by this issue. The N.A.I.C. decided to postpone action until the disposition by the courts in New York of the pending action involving the right to make an independent filing of a multiple peril mercantile policy, presumably before the next N.A.I.C. meeting in June. However, a similar filing now being disputed in Kentucky will probably be fought through the Supreme Court. Furthermore, industry spokesmen are reported to have expressed their intention to pursue this litigation in every State in the Union, if necessary, to preserve their position in the package policy field.

The M-1 Report recognizes the package policy as a distinct entity and different from the sum of the component coverages when written separately. It recommends a simplified procedure for filing by a single bureau assuming full responsibility over the complete

package, and recommends that only one bureau be recognized as the principal party in interest in a proceeding involving such multiple line policy. But most important of all, it recognizes the principle of partial subscribership in the multiple peril field and sanctions the right to make independent filings of a package policy by a company desiring to remain a member or subscriber to bureau services for other coverage. The settlement of this issue will test whether the industry pays only lip service to free competition or whether it sincerely believes that our free enterprise system works as well for insurance as for other industries.

In approaching the rating problem, this Subcommittee would be remiss if it neglected to undertake careful scrutiny of all underwriting profit formulae, including the Standard Profit Formula of 1921. The formula for measuring, reasonable underwriting profit for fire insurance which, for all practical purposes, was adopted by the N.A.I.C. in 1928, followed quite closely the recommendations of the National Board of Fire Underwriters. By and large, variations of this formula have been accepted by most insurance departments to the present day. Nevertheless, the record is clear that this formula has never been thoroughly analyzed in order to justify its use in the regulation of rates and the measurement of profits. The level of profits allowed by this formula has recently been litigated in Wisconsin with uncertain results.

Serious differences existed in the drafting of the all-industry fire and casualty bills over the question of including investment income in the determination of reasonable profit. A report of a special subcommittee of the N.A.I.C. published in 1948 and referred to as the McCullough Report challenged the basic assumptions of the Standard Profit Formula. Bitterly attacked by the National Board of Fire Underwriters, this Report was never adopted by the N.A.I.C. This Report helped to develop a more complete appreciation of the significance of investment income to insurance company growth and profits. It catalogued the defects in accounting

procedures and in annual statement presentation which tend to distort loss and expense statistics in the rate-making procedures. Perhaps its greatest contribution was the discussion relating to the impact of underwriting profit formula on historical underwriting profits for insurance companies since 1921.

#### Questionnaire #2

Because of the interest shown in Questionnaire #2, it might be appropriate at this time to comment upon some of the questions, indicating the reason for the Subcommittee interest in these queries. Questionnaire #2, while dealing primarily with rates, is designed to provide information on the effectiveness of State regulation in other areas. Because of the decision in the *Travelers Health* case and the broad claims to regulation by certain States, the Questionnaire attempts to ascertain what supervision in fact is maintained by the State over the business done by mail in other States of a company licensed in that State. It is important that the Congress learn whether such statutes have the effect only of divesting the federal government of jurisdiction, or whether they can and do effectively curb improper mail order practices outside the State.

The rating laws require that the insurance Commissioners apply standards to rate filings which are largely subjective in nature. That a rate "shall not be excessive, inadequate or unfairly discriminatory" implies wide discretion in the administrative review of rate filings. The questionnaire seeks to determine how these standards are employed in making decisions on rate filings. The central issue is whether or not such a vague standard of rate review is adequate for effective administration. There will probably be wide varieties of answers to this question.

It is important to know the full stature and extent of the Commissioner's power to control the rate level within his jurisdiction. This includes an analysis of the power to initiate rate level changes. If the Commissioner has only a veto power, there is doubt as to his

(Concluded on page 44)

## Rate Making — McHugh

(From page 43)

ability to actually control rate levels and effectuate revisions when warranted in the public interest. Also germane to this inquiry is the question whether insurance Commissioners, for reasons unrelated to sound rate regulation, have prevented needed rate increases.

If dividends can be paid for various classes of business, regardless of actual or projected loss experience and costs of administration, unfair discrimination can result. Therefore, the Commissioner's authority over dividends must be ascertained. Similarly, the questionnaire seeks information on the data available to the Commissioner on the lines and classes of insurance not subject to rate regulation. Such information will be helpful in determining whether their continued exemption is in the public interest.

Questionnaire #2 attempts to

measure the work load of the departments in the handling of rate matters and complaints upon a prospective basis. Information is requested for the period April 1 through June 30 concerning rate filings, policy forms, endorsements, underwriting rules and rating plans, pending, received and disposed of during the period. Similar information is asked for complaints with additional data sought as to the types of complaints and the action taken. Sensitive areas of insurance activity will be revealed by analyzing this data.

It is hoped that an important contribution of this questionnaire will be more reliable data concerning the extent of competition in the various lines of coverage within each jurisdiction. One of the major objectives of this questionnaire, therefore, will be to determine the actual volume of business in different classes and lines written at full bureau rates and that written at less than bureau rates by deviating, independent, and dividend-

paying companies. With such information in hand, more intelligent criticisms can be made of the effectiveness of State laws and the rate regulatory system.

Traditional habits of thought which have persevered for long periods tend to stultify and retard progress in any industry. The constant struggle for survival which occurs when rivals meet at arms length in the marketplace is a shield against such complacency. Many segments of the insurance industry, for reasons which may be perfectly valid, have been insulated in large measure from the invigorating atmosphere of real competition, particularly at the rate level. This congressional study of insurance can perform no more enduring service than to illuminate those soft spots where competition has not achieved its maximum utility. Only in this way can government, both federal and state, intelligently approach the problem of regulation in the public interest.

## Safety — McDermid

(From page 41)

decent thing to do. Now, why stop there? Why not extend your good and valuable work to the employer's so-called independent contractor? You say because our lawyer advises against it. Now let me say this — your lawyer is retained for legal advice and legal advice is his responsibility—and as long as there is a thread of the independent contractor rule left, he is compelled to take a cold look at the situation and tell you that if you run the contractor you are assuming additional responsibility for his misdeeds. But he must also tell you that even if you don't run the contractor, you'd better take out insurance and put in indemnification clauses in your contract because you might get stuck anyway. So the employer asks of his lawyer — *"Is there anything we can do to advance our safety program to the contractor?"* Whereupon the lawyer says that it

may be reasonably secure to permit safety men to make suggestions or to cooperate with the contractor — just so the control is not authoritative. Although I have been unable to uncover any cases precisely in point, it is reasonable to expect that no liability would arise on the theory of control if a safety program's approach to the dangers encountered on the job were merely advisory — suggestive — not compulsory.

Let me be a **businessman** for just a moment and I'll say, "Thanks, counsel, for your advice—I'll think this over."

Should or shouldn't I send my safety men to the independent contractor? I am interested in good public relations. I am interested in trends, and I know that we can't avoid our responsibilities by a technicality — at least for very long.

I know that we carry liability insurance. I know that we get indemnification provisions in our contracts with independent contractors for whatever safety such provisions

may contain. I know that we are liable to the public for a good many injuries sustained even if we are using a contractor. I know that we may even be liable to employees of an independent contractor. I know that this lack of control element as a defense is an unpopular defense.

I'll put all these things on the one side of the scale and on the other side I'll put the fact that if my safety men get in there and work with the contractor I'm going to reduce my exposure to claims. Yes, claims of the public and claims of the contractors' employees. I'm going to protect people from getting killed and injured. I've got a good public relations. I've got insurance. I've got indemnification for what it is worth. So I stand back and look at how these things balance out — and I look at them pretty hard — and I look at them again — and I ask you, "do you see what I see?" I think you do.

(Speech before the 20th Annual Ebasco Client Companies' Safety Meeting — Chicago, Illinois.)

## Valuation — Young

(From page 12)

blame should be placed on the broker or agent, who, in the urge to obtain business, may take too much for granted and fail to explain fully the assured's obligations.

### Determining the Amount of Insurance

The amount of the policy relates to the value of property to be insured and it is at this point that the valuation engineer or properly qualified appraiser should enter the picture but, unfortunately, particularly for the best interest of the insured, all too rarely does.

Specifically the standard insurance policy states:

*"In consideration of its provisions and stipulations herein and added hereto and of \$000 premium, this company does insure to extent of the actual cash value of the property at the time of the loss, but not exceeding the amount which it would cost to repair or replace the property with materials of like kind and quality."*

This is a very meaningful statement and should be fully understood by the buyer. It should be understood that premium cost for the protection is based not only on the value of the property to be insured, but as well upon its type and character; also that the amount of indemnity payable at time of loss is based upon a specific type of value at such time.

Accordingly, at the inception of a policy, the buyer is concerned with three important considerations, all related to the property to be insured, which, if his insurance program is to be effective, he and he alone must be in a position to define and substantiate. They can be briefly stated as follows:

**1. The Determination of the Premium Rate** — The cost of insurance indemnification is determined by the amount of coverage to be underwritten times the applicable rate. Insurance rates are established both by the various Rating Bureaus and by the insurance companies and can vary widely in accordance with

the type of coverage and with the type of property involved. In connection with the latter they take into consideration the general loss hazard which is involved, type of building construction, nature and type of machinery and equipment, manufacturing processes, and concentration or dispersion of insured risks. In order then for a risk to be most accurately and favorably rated, a problem not only of value, but of designation and classification of property, exists.

**2. The Amount of Coverage to be Purchased** — This consideration must be related to the value of the insured property at the inception of the policy, as a starting point, if adequate protection is to exist at time of loss. This analysis of value must also be properly defined and classified so that the proper amount of coverage can be determined specifically in accordance with the many and various types of insurance policies and special endorsements which can now be purchased.

**3. The Value of the Property at the Time of Loss** — This is the ultimate requirement for the effectiveness of an insurance program. A loss may occur at any time — immediately after the policy has been issued, or many years thereafter. It may also be a partial or complete loss. If the former, the buyer is faced with a dual requirement — one, to furnish a Proof of Loss of the property destroyed and secondly, and particularly where coinsurance is in effect, a complete statement of value on the entire property in a verification of the adequacy or inadequacy of the amount of coverage. In the rarer cases of a complete loss, the requirement is somewhat simplified as the insurance record of the property and its value can serve both as a coverage check and as Proof of Loss. In either case, accurate, supportable valuation data are essential. The term "actual cash value" is used in the above stipulation and is the term of value used in reference to property value generally in all standard fire policies. Its definition is therefore important.

Judges and lawyers have expounded at length as to the meaning of the term "actual cash value" in cases of loss litigation all of which we watch closely. Mr. Gracey of the Hartford Fire Insurance Co., in his article on the subject, has referred to the term as the three most important words in the insurance vocabulary. In addition you might be interested to know that the determination of "value" for insurance purposes was the reason for the creation of my company more than 60 years ago and that we are still confronted with new and exceptional interpretations of it. Therefore, I trust you will be tolerant of my extremely brief and limited approach to a definition and its interpretation.

First, let me say what it is not. In the commonly used terms of today, it is not book value, it is not historical cost, it is not purchase cost, not trended costs, nor the result of cube or square foot computations. This information when properly applied can however assist in its determination.

In accordance with the generally accepted insurance usage of today and as applied to commercial, industrial or private property which is in use for the purpose for which it was constructed or acquired, "actual cash value" is considered to mean the present cost of reproduction new less a factor of accrued depreciation, representative of the degree of physical deterioration, which is apparent at any given time, with such regard for functional and economic factors as are deemed relevant for insurance purposes.

In this very simplified definition, I would call your attention to two important qualifications which it contains. First, that the amount of depreciation refers only to property serviceable for the purpose for which it was constructed. Secondly, that it defines value at a given time, presumably sometime in the future.

The depreciation to be determined in any case for insurance purposes should be expressed at a total accrued amount. The treatment is entirely different from the straight-line method of computation used for accounting and tax

(More on page 46)



## Valuation — Young

(From page 45)

purposes and should in no way be confused. As applied to insurance requirements, it is the means to the determination of value at a given time and should take into consideration that maintenance and repair may tend to offset physical deterioration at any point in the life of an insurable property unit.

From the foregoing it should be very evident that a program of property identification and valuation specifically applicable to insurance requirements is inherently a part of every insurance program. To hypothecate its determination, or to avoid the implied responsibility by the buyer, is obviously inviting potential loss and dissatisfaction.

It is a common misconception of the requirements for the determination of insurable value that if initial steps for proper appraisal are taken, that is sufficient for the requirements of the policy when a loss occurs. If the period between these events is short and little change in the property itself or in values has occurred, proper evidence of value can undoubtedly be furnished. But today property changes occur rapidly and so do values. You are all generally familiar with the tremendous appreciation in values which has taken place in just the last few years. In this connection, I might add that, while appraisers are not forecasters, this trend from all present indications still appears to be upward. The problem of value for insurance purposes is, accordingly, not a static one but rather is continuous, if the insurance program is to be properly founded.

How then should such a program as valuation be initiated and how perpetuated? The procedure is not a simple one as there are many factors involved and many pitfalls to be avoided.

I can say from long experience that what usually happens might be described as a combination of patchwork procedure which has little relationship to the complete requirements to be served, and that

from our point of view as appraisers, the unsound and, in some cases, the ridiculous procedures which are undertaken baffle understanding.

It is frequently the case that the insurance program history pertaining to property values will consist of the assured spending large sums of time and money on fire protection methods of every conceivable description, which to be sure is entirely sound, but the effort put forward to establish a proper property record as a basis for the entire property insurance program will be largely omitted or will, frequently, consist of inaccurately trending up some old book costs which are in themselves inaccurate. Then at the time of a substantial loss, it is necessary to go to a great expense, trying unsuccessfully to build up a claim which can't be substantiated, and then spend further time and expense finally reaching an unsatisfactory settlement.

At this point I could expound at length on the virtues of scientific appraisal service but modestly prevents, plus the fact that, to an increasing extent, insurance buyers have learned the insurance facts of life so that we appraisers are serving more widely and more effectively than ever before.

I am not going to burden you with all the detailed technicalities of valuation work for insurance purposes other than to emphasize that there is a right and a wrong way in every instance for the proper establishment of value. I appreciate that some of you have wrestled with the problem and are probably familiar with some of the details. But for the others who have not had direct experience, let me give you a slight briefing which might guide your approach to the process.

The initial consideration should recognize the fact that every valuation problem is different and considerations exist in each case which will not be parallel in any other. In addition, there are no two properties or groups of properties which are identical.

Then, too, the current insurance situation is rarely the same. The former type of coverage in effect

may be undergoing change and the requirements to be met under the new type of coverage may be quite different. Also the appraisal process for this consideration is not, as the layman so often thinks of it, a completely standardized process of a routine nature. On the contrary, in the great majority of cases and to be most effective, it is a specialized procedure which should be designed to meet the specific requirements of the individual situation.

In the large cases, involving a wide variation of property devoted to many different types of operation and uses, there are considerations of procedure which could apply to one property but not to another. I am thinking of such matters as the fire risk involved, the various types of building construction, the many different manufacturing processes, factors of location and exposure, matters of property inclusion or exclusion — classification for proper insurance rating — whether we are dealing with new properties on which usable information is available or with older ones where possibly there is no property information which would be of use — whether the insurance property record is to be tied in with the accounting property record, and additionally but certainly not lastly, the type of insurance coverage in effect or contemplated. All of these matters and many more can have a bearing on the appraisal process and the procedure to be undertaken. Accordingly, to attain the best results, a careful preliminary study should at all times be made so that all the important details, having a bearing on the procedure, should be examined, weighed, and a plan of execution determined in advance of the work program. Accordingly, it should be quite evident that in attempting to determine value and establish a sound valuation program to meet the requirements particularly of all the various types of insurance underwritings in force today, the recommendations and experienced guidance of a professional appraisal organization should be retained.

As to the appraisal process itself, there are, of course, the considera-

(More on page 47)



## Valuation — Young

(From page 46)

tions of inventorying, property location, construction analysis, classification of property details, descriptive identification, pricing analysis, application of depreciation and ultimately the decision of form of property record which should be prepared. It is a procedure which involves the application not only of special training but the development of techniques and standards which only wide experience and constant application can create.

I do not want to leave the impression with you that appraisal procedure is so involved that the end doesn't justify the means and that naturally its cost is proportionate. On the contrary, when you consider that the full appraisal process can be undertaken for a small fraction of one per cent of the cost to reproduce complicated installations of buildings, machinery and equipment, or, to state it another way, at about 1/12th of architects and construction engineering fees to construct such a property, you can appreciate the efficiency of well organized professional service of this character. In addition, where the initial procedure can be developed on a cooperative basis or can be specially designed on a practical limited approach, the cost can be materially less.

I am, of course, aware that many of your organizations maintain your own appraisal departments and that frequently their work includes the maintenance of property records for accounting and tax purposes as well. Such procedure can be entirely practical where the volume of work is sufficient and where proper procedures are defined and maintained. It has been my company's observation, however, that even in the largest organizations and in the large majority of instances, outside professional assistance is necessary to keep the procedure on a sound basis and costs of obtaining the necessary data at a minimum, and that the best results can be obtained where a cooperative procedure is developed. By so doing, the basic information can not only be accumulated with

the necessary supervision but the technical application of its controlled by specialists whose efforts can be supplemented with the considerable facilities of organized appraisal service. In the smaller cases, it is a well established fact that a professional appraisal organization can do the work for the entire program better and at lower cost, and with the added important consideration of independent provability.

### Proof of Loss

Now we have come to the second principal responsibility of the assured previously referred to. This relates to the final purpose of insurance protection, namely, the requirements for preparing and presenting the Proof of Loss in settlement of any claim.

The conditions as stated in the standard policy read —

*"The insured shall give immediate notice to this company of any loss — furnish a complete inventory of the destroyed, damaged and undamaged property showing in detail quantities, costs, actual cash value and amount of loss claimed — and if required verified plans and specifications of any building fixtures or machinery destroyed or damaged."*

It has been said very frequently that you pay for insurance in the large print of a policy and the insurance company takes the money away from you in the small print. There can be considerable truth in that statement; but, when a vulnerable situation occurs at the time of the loss, it is our observation that the blame should not be against the insurance company but rather on the insured because of the failure to comply with conditions of the policy.

Of course, as all of you know who have had experience in the settlement of substantial fire loss claims, this obligation of the assured for preparation of a Proof of Loss can be a very routine affair where your record keeping has been up to proper standards, or it can be a costly affair with possible serious effects on the future of the business.

The statement that a loss can be settled in advance with the estab-

lishment of a proper appraisal record is in no way an exaggeration. In fact, I shall never forget the occurrence of the very first business experience I had when I started with my company, which was an example of just this. The assured had just received his appraisal report, had more than doubled his coverage as a consequence; a practically total loss occurred very shortly thereafter and he received the entire payment in settlement just a few days later. He was the most amazed individual I think I have ever seen and looked at me as some form of supernatural miracle-worker.

The other side of insurance loss histories does not make such pretty telling. Many of you are as familiar as I am with all the trials and tribulations which have occurred in these cases. The unfortunate part is, of course, that if the insured had only taken a few simple steps such as I have outlined above, involving such nominal cost, all that time and expense could not only have been saved, but the loss would have been settled in an amount so that funds would have been available to promptly replace the facilities. In this connection, we should at all times understand that a fire insurance policy is stated in terms of dollars and not in terms of the replacement of the property it covers.

I do not mean to imply that the creation of an appraisal procedure will at all times automatically insure loss settlements, and that a check for settlement will be immediately forthcoming upon such presentation. Insurance adjusters will question all substantial claims — it is their business to do so. But I do maintain that where a basic property record is properly conceived and executed and where it is currently maintained on a factual basis, it will very satisfactorily meet the requirements and, with no evidence to discredit it, will produce a prompt and equitable settlement.

Generally speaking, it is my impression that greater efforts are being made today towards maintaining better property records than in past years. Business man-

(More on page 48)

## Valuation — Young

(From page 47)

agement is however faced with a greater added burden in the maintenance of such records than ever before due to the rapid inflationary trend of values. As a consequence, property records comparatively recently established are becoming out of date faster and their results are increasingly deceptive.

In an effort to keep pace with these fast changing conditions, the use of trends has become more widespread. Properly prepared, there is every practicality in their use, but extreme caution should be exercised in the use of most published average trends. Unless they are specifically determined and applied to a clarified base, the results can contain so great an error factor as to be useless. On the other hand, where a proper analysis of the property has been made, the procedure of periodically revising values by their use can be quick and accurate.

The use of tabulating equipment has now been incorporated in the procedure so that detailed results can be furnished with a speed, accuracy and economy of cost which is truly amazing.

Notwithstanding the growth and wide use of professional appraisal services in creating and maintaining improved records, official and insurance company statements of coinsurance participation in the settlement of losses reflect astounding amounts of dollars withheld from collection due to failure to comply with these requirements. This is in part due to improperly prepared Proofs of Loss but principally to the tremendous amount of the insufficiency of insurance to value. These conditions, with the constantly increasing property values, are indications of the tremendous extent of valuation requirements which are not being properly serviced, and there appears to be a greater disparity between adequate insurance coverage and insurable value today than ever before.

Many industrial concerns feel that they have successfully taken steps to overcome this situation by

taking out coverage for depreciation or replacement cost endorsements. To some degree, this is true but we find that in many cases their base policy coverage is not only inadequate but that their endorsement is also. In addition, with these new types of policies, it is our observation that, in many cases, the insured not only does not understand the specific procedure involved but also fails to realize that to obtain full replacement in settlement, he must have good property records to prove the replacement cost.

To obtain the full benefits under replacement cost types of coverage, it is necessary for the assured to determine not only the full replacement cost on which the coinsurance clause is predicated, but also the accrued depreciation and the actual cash value, as this establishes the amount which, upon proof, is payable immediately following the loss without reference to the eventual repair or replacement of the property. Where a separate depreciation insurance policy supplements the standard actual cash value policy, each will usually carry a coinsurance clause, and the coinsurance clause in the basic policy will refer to the actual cash value.

### Application of Valuation Services

Some further observations of the application of valuation services to the various types of insurance policies might be of interest.

Most of you are familiar with the long established coinsurance type of policy. In this type of coverage, the insured assumes responsibility for carrying an amount of coverage related to a percentage of actual cash value and thereby receives the protection at substantially lower rates than would normally apply, which naturally results in lower insurance cost. However, failure to maintain the required amount of insurance involves, at the time of a loss, the noncollection of a portion of the loss. The amount collected can never exceed the amount of insurance carried or the damage suffered. On partial losses where the amount of insurance carried is less than the amount stipulated in the coinsurance clause, the assured shares in the loss in proportion to

his deficiency. If he carries 20% less than the required amount, he must assume that percentage of the loss. Obviously, where a coinsurance clause is in the policy there is an important need to know insurable values at all times and to be able to substantiate them at time of loss.

In comparatively recent past years, recognition of the fact has become widespread that stated value or coinsurance policies do not cover the gap between the insurable value and replacement costs. This consideration is based upon the fact that, notwithstanding the existence of depreciation reserves in the financial accounts, such funds are rarely available at any given time for substantial property replacement. There has developed, as a consequence, an increasing interest and demand on the part of property owners to insure property to its full replacement cost and, though there is still some resistance to this type of coverage, these new types of replacement cost or depreciation policies have come into increased use.

There are many types of replacement cost or depreciation insurance now available and space does not permit their analysis. It should be noted that practically all of these policies carry a mandatory coinsurance clause with a high stipulated percentage of replacement cost. Also, most of them provide that at time of loss, the insurer will pay the actual cash value but the balance, representing the accrued depreciation, will not be paid unless and until the property is rebuilt or replaced.

It is also frequently the case with these policies that the depreciation insurance is carried by one company and the "actual cash value" insurance is carried by another. In such instances, the need for an authoritative third party determination of accrued depreciation is increasingly necessary if dispute between the insurers is to be avoided.

It has also been our observation that many policyholders do not appreciate the need for the determination of actual cash value where a replacement cost policy is carried.

(Concluded on page 49)

## Valuation — Young

(From page 48)

As above indicated, consideration of this insurable value is the first consideration at the time of loss.

With the various additional obligations on the assured with these new types of coverage, there are many additional requirements for more complete appraisal data. Therefore, while it is necessary at all times to be completely familiar with the terms, stipulations and requirements of all types of insurance policies, it is particularly so in the newer and more complicated forms of coverage. It should also be recognized that, regardless of the type of insurance coverage in force, valuation work provides the cornerstone and foundation as well as the means to the successful operation of any property insurance program. (Speech before the New York Chapter of the American Society of Insurance Management, Inc.)

## Deductibles — Chavennes

(From page 14)

lated locations. The insurance carrier would be subject to a potential loss of \$20,000,000 in a single fire at the concentrated location, whereas the maximum loss at a single location of the dispersed property in this example would be \$2,000,000. I realize that there are 10 times as many locations at which a fire might start, but nevertheless the risk of the large potential single loss is not there. As a practical matter, the rating agencies do apply multiple location reduction factors with respect to full coverage primary insurance on the dispersed properties, but such factors, in my opinion, do not adequately reduce the premium in proportion to the reduction in the risk.

The electric utility business seems especially suitable to the deductible type of fire insurance. One reason of course is the wide dispersal of insurable property. Another reason is the substantial savings in cost of handling the large number of small claims for lightning or fire losses, the latter generally of an electrical origin, either by artificially generated electricity

of by lightning. I am not referring to losses along distribution or transmission lines, as those properties are generally not insured. I am speaking of fires in distribution and transmission substations, customers substations, generating stations, warehouses, garages, and commercial offices. In my experience with fire insurance without a deductible, I have seen numerous reports of small insured fire losses, and have observed the expensive paper work involved in collecting the claims from the carrier.

Initially the amount of each insured fire loss is probably established through the use of a work order issued by the insured, which means considerable paper work in the cost accounting process. The details are then furnished to the broker and the adjuster, for the preparation of the claims to be made against the carriers. Assuming that the primary fire coverage is of the blanket type, that is, not a separate policy for each separate location, there may be as many as 40 or more insurance companies on the line, each of which must pay its portion of each claim. That means more paper work. Yet there is still more paper work. When the 40 or more checks are received, it is probable that the insured owner of the damaged or destroyed property cannot deposit them in his bank account. Because of the mortgage requirements of some utilities, the payments covering fire losses are payable jointly to the utility and to the trustee under the mortgage securing the outstanding bonds issued by the utility. In the event there is a cotrustee, the checks must be endorsed by the utility and both cotrustees. The administering cotrustee keeps the payments on deposit until the utility takes the steps necessary under the provisions of the trust indenture to withdraw such deposit, again involving more paper work.

If through the purchase of deductible fire insurance substantially all of this detailed paper work can be eliminated for the utility, the broker, the adjuster, the insurance companies and the trustee, by eliminating all claims which are less than a predetermined amount,

which is the amount of the deductible, there will be a savings in cost to all concerned. The savings to the insurance companies will be the amount by which paper work is reduced, the adjusters' fees, the payments for claims which are less than the specified deductible, and the reduced commission to the broker. (The broker's commission rate on a fire policy with a large deductible is said to be one half the standard fire policy commission rate.) The savings to the owner of the insured property will be the cost of the paper work involved in determining the precise amounts of the losses, in making the claims, and the reduced premium, from which must be subtracted the fire losses which are within the amount of his retention, that is, the amount of each loss which does not exceed the amount deductible.

Before a property owner orders a deductible type of fire insurance and after being assured that his trust indenture does not prohibit such form of coverage, he must determine what appears to be the most appropriate or logical amount of the deductible for his particular situation, after weighing all of the facts with respect to his loss experience, the quotations, if available, and various deductibles. I have been informed that certain insurance companies or groups of companies are now writing a considerable portion of their fire business on a deductible basis. One executive said that as of December 31, 1957, his group was insuring over \$14 billion of business on a deductible basis, equal to 24.7% of its standard business. He further said that the most popular loss retentions are \$5,000 and \$10,000, but that many policies were written with deductibles of \$1,000 or less, and some with retentions of \$100,000 or more.

It seems to be generally conceded by business executives that it is uneconomic to insure against a loss which can readily be absorbed by the business without serious adverse effect on the earnings or financial structure of the business. Insurance premiums must be large enough to include the insurance

(More on page 50)



## Valuation—Young

(From page 49)

companies' administrative costs and profits, in addition to the payment of loss claims. A property owner, by being full self-insured, could save all of the insurance company profits and a substantial portion of the administrative costs, but he still would have to absorb all of his fire losses. He can, by purchasing a deductible form of fire policy, be partly self-insured and save some of the insurance company profits and administrative costs, as well as part of the premium. In so doing he would absorb all or a part of the losses, depending upon whether any loss exceeds the amount of the deductible. At least he would know, after establishing the amount of the deductible, the maximum amount he would have to absorb for each fire. Management must then decide how great a loss can be absorbed without insurance. It is believed that no one will deny the necessity of carrying insurance against catastrophic losses. As I said before, our Company decided on \$100,000 as the deductible amount after weighing all of the pertinent factors.

### **Southern California Edison Company**

We first became seriously interested in deductible fire insurance in 1951. At that time, we, our broker, and in independent consultant whose services were retained on a fee basis, made an attempt to obtain coverage on a deductible basis. We had no firm offers, and those proposals that we did receive were only a gesture and did not even approach an attractive price zone. Based on our loss experience for 10 or more years, and assuming a similar future loss experience, our estimated costs for a deductible policy at the 1951 rates would have been considerably higher than the conventional full coverage form of insurance.

*(Let me digress here for just a moment to comment on loss experience records. When an insured is considering the adoption of a deductible form of fire insurance, he will analyze his loss experience records to determine the extent of*

*his probable future losses within the retention and not collectible from the insurer. When the loss experience records cover years of creeping inflation and higher costs, it is obvious that the historical losses of the past must be adjusted upward in forecasting probable future loss experience.)*

In the latter part of 1956 we started in earnest to negotiate for a deductible form of fire insurance to be effective November 1, 1957, at the expiration of the 5-year policies then in effect. Needless to say, we did not receive any firm quotations. We worked in the open with 2 separate brokers and the job was not easy. We found that the majority of insurance companies at that time would not write fire insurance on a deductible basis. Apparently they were afraid that they would be setting a precedent and that they would be promoting the principle of self-insurance to the detriment of the insurance business. Their rating bureaus apparently lacked adequate statistics and could not suggest any suitable rates. We found one firm, however, that had a scale of credits to be applied to standard rates to obtain rates for various deductibles from \$5,000 up to practically any amount. From the use of that scale, we had a tentative proposal or suggestion but no firm offer. One large company offered to write a portion of our coverage at a specified rate on the basis of \$250,000 deductible, but would not take any portion on the basis of \$100,000 deductible. Using our loss experience record as our chief guide, together with the scale of credits heretofore mentioned, we instructed our broker to go into the market with a firm offer at a rate which we specified for a 5-year policy, and to invite subscriptions from all reputable domestic companies and Lloyd's. A lead company was obtained and the coverage was slightly oversubscribed. A large part was placed in and through Lloyd's of London; part was placed with mutuals and reciprocals, and the remainder with American stock companies. The premium reflects a net rate credit equivalent to approximately 55%. It is payable one fifth each year, and is subject to adjustment on anniversary dates to

give effect to changes in the values of the insured property. At the time of the negotiations, the insurable value of our plant was approximately a half billion dollars. We placed a flat \$50,000,000 insurance in excess of \$100,000 each loss. As there is no coinsurance provision, I believe we have what is technically called excess insurance, rather than deductible insurance. For the purpose of this discussion, up to this point, however, I believe that we may consider the two terms to be synonymous.

In connection with these negotiations we conferred with other utilities and with the Chairman of the Insurance Committee of the Edison Electric Institute, and learned that a few other electric utilities had purchased fire insurance on the basis of \$50,000 or \$100,000 deductible each loss. Our negotiations for the fire insurance included renewal of \$8,000,000 earthquake coverage in excess of \$1,000,000 each loss, with no substantial change in the form of policy or of premium. Each carrier that took a portion of the fire coverage also took a portion of the earthquake.

### **"Excess Insurance"**

Referring to the terms "excess insurance" and "deductible insurance," under a fire policy with a provision for coinsurance and with no provision in the policy for a specified deductible, the insured can deliberately underinsure, thereby paying a smaller premium at the regular rate and by his coinsurance deficiency will automatically be required to absorb a portion of each loss. For example, an owner of property having a total insurable value of \$10,000,000, may have a policy with a 90% coinsurance clause. If he pays the premium on \$9,000,000 of coverage, he will collect 100% of each loss up to the limit of the policy. If he pays the premium on \$4,500,000 of coverage of the same property, he will save one half of the full premium, but if he has a loss, he will collect from the insurance company only 50% of the loss. Similarly, if he pays premium on 70% of \$9,000,000 and has a loss, he will collect from the insurance company 70% of the loss.

*(Concluded on page 51)*



## **Valuation—Young**

*(From page 50)*

If the property owner deliberately elects a coinsurance deficiency such as has just been described, he can, if he so desires, separately insure, in another company or in a surplus line, such deficiency either with or without a deductible provision.

Another method of reducing premiums with a regular fire policy which has an element simulating a deductible, is to exclude from the coverage all physical property locations which have insurable values less than the amount of the retention desired by the insured.

It is the responsibility of the insured's executives or insurance manager to study the types of insurance coverage available and to determine what seems to be most suitable for this particular situation and needs. There is some literature on the subject of deductible fire insurance. Studies have been made by a subcommittee on Excess Fire Insurance and reported to the Insurance Committee of the Edison Electric Institute. Papers on the subject have been presented at various meetings of insurance people over the country. I do not think that any two utilities will have identical problems or risks.

We have seen the development of solutions to some weather problems, and we are seeing some progress in the field of excess fire insurance. I believe we will see further progress in the near future.

**Claude H. Rice**

**Address Meeting of Delaware Valley Chapter, ASIM**

Claude H. Rice, Insurance Manager of Babcock & Wilcox, Inc., of New York, and a member of New York Chapter, ASIM, addressed the April Meeting of Delaware Valley Chapter, ASIM.

Mr. Rice discussed "Nuclear Insurance in Industry Today" before a joint meeting with the CPCU of Philadelphia and South Jersey.

**The National Insurance Buyer — May 1959**

# **The American Society of Insurance Management, Inc.**

## ***Welcomes***

### ***Members and Guests***

***at its***

### ***Semi-Annual Meeting***

**Hotel Roosevelt  
New York, N. Y.**

**May 5th, 1959  
Dinner: 6:30 P.M.**

# IN MEMORIAM

---

**Lulamae Clore**

**March twenty-sixth, 1959**

The American Society of Insurance Management, Inc., records with sorrow the sudden death of Lulamae Clore, past president of Cincinnati Area Insurance Managers (the only woman who has presided over a chapter of ASIM).

Former insurance and claims manager for Thomas Emery Sons, Inc., she gave unselfishly her beauty, wit, charm and ability.

As recent General Chairman of the Insurance Conference, sponsored by Cincinnati Area Insurance Managers, ASIM, on January 28, 1959, she contributed so much to its success.

Our sympathy is extended to her family and friends and to the members of Cincinnati Area Insurance Managers, ASIM. Her untimely death leaves a great void.

---

*"The Moving Finger writes; and having writ,  
Moves on: Nor all your Piety nor Wit  
Shall lure it back to cancel half a line,  
Nor all your Tears wash out a word of it."*

# AMERICAN SOCIETY OF INSURANCE MANAGEMENT

8 WEST 40TH STREET  
NEW YORK 18, N. Y.

PETER A. BURKE, Managing Director

## OFFICERS 1958 - 1959

### PRESIDENT

**H. STANLEY GOODWIN**  
McKesson & Robbins, Inc.  
155 East 44th Street  
New York, New York

### 1st VICE PRESIDENT

**H. HOWARD CLEM**  
Schlumberger Well Surveying Corp.  
P. O. Box 2175  
Houston, Texas

### TREASURER

**F. W. NORCROSS**  
The Budd Company  
2450 Hunting Park Avenue  
Philadelphia 32, Pa.

### 2nd VICE PRESIDENT

**T. V. MURPHY**  
Maryland Shipbuilding & Drydock Co.  
P. O. Box 537  
Baltimore 3, Maryland

### SECRETARY

**MERRITT C. SCHWENK, JR.**  
Fruehauf Trailer Company  
10940 Harper Avenue  
Detroit, Michigan

### REGIONAL VICE-PRESIDENTS

**B. M. HULCHER**  
Southern States Cooperative, Inc.  
Southern States Building  
Richmond 13, Va.

**RALPH W. LOW**  
Westinghouse Electric Corporation  
3 Gateway Center  
Pittsburgh 30, Pa.

**WILLIAM A. MILLER**  
Richfield Oil Corporation  
555 South Flower Street  
Los Angeles 17, California

**DAVID C. MORRIS**  
Chance Vought Aircraft, Incorporated  
P. O. Box 5907  
Dallas, Texas

**HORACE V. NOLAND**  
M. F. Patterson Dental Supply Co.  
of Minn.  
2531 University Avenue  
St. Paul 14, Minn.

**FRANK W. PENNARTZ**  
Food Fair Stores, Inc.  
2223 E. Allegheny Avenue  
Philadelphia, Pa.

**RICHARD PROUTY**  
Norton Company  
Worcester 6, Mass.

**CHARLES H. THIELE**  
Federated Department Stores, Inc.  
222 West Seventh Street  
Cincinnati 2, Ohio

### BOARD OF DIRECTORS

**EDWARD W. ALSTAETTER II**  
North American Aviation, Inc.  
430 East Fifth Avenue  
Columbus 16, Ohio

**DARRELL AMES**  
Eastern States Farmers' Exchange, Inc.  
West Springfield, Mass.

**BARNEY E. CARNES, JR.**  
Delta Air Lines, Inc.  
Atlanta Airport  
Atlanta, Georgia

**ROBERT M. CONE**  
General Motors Corporation  
3044 West Grand Boulevard  
Detroit 2, Mich.

**CHARLES R. GARTON**  
Atlantic City Electric Company  
1600 Pacific Avenue  
Atlantic City, N. J.

**CHARLES G. GOULD**  
Bay State Abrasive Products Co.  
Westboro, Mass.

**CASIMIR Z. GREENLEY**  
International Minerals & Chemical Corp.  
Administrative Center  
Old Orchard Road  
Skokie, Ill.

**A. J. HABERER**  
The Procter & Gamble Co.  
Box 599  
Cincinnati, Ohio

**J. G. HARPER**  
Northern Electric Company, Limited  
1050 Beaver Hall Hill  
Montreal, Canada

**HARVEY HUMPHREY**  
Title Insurance & Trust Company  
433 So. Spring Street  
Los Angeles 13, Calif.

**F. A. HUNTER**  
Eastern Gas & Fuel Associates  
1648 Koppers Building  
Pittsburgh 19, Pa.

**WM. D. McGUINNESS**  
Standard Oil Company of N. J.  
30 Rockefeller Plaza  
New York 20, New York

**FRED L. MATTSON, JR.**  
West Coast Lumbermen's Association  
1410 S.W. Morrison Street  
Portland 5, Oregon

**J. DONALD PRINCE**  
Insurance Buyers Council  
6713 York Road  
Baltimore 12, Maryland

**T. T. REDINGTON, JR.**  
Dresser Industries, Inc.  
Box 718  
Republic National Bank Bldg.  
Dallas 21, Texas

**E. C. STOKELY**  
Dow Chemical Company  
Freeport, Texas

**R. GEHL TUCKER**  
A. E. Staley Mfg. Co.  
P. O. Box 151  
Decatur, Illinois

**HOWARD T. WEBER**  
Minnesota Mining & Manufacturing Co.  
900 Farquhar Avenue  
St. Paul, Minn.

**O. A. WEES**  
Crown Zellerbach Corporation  
343 Sansome Street  
San Francisco, California

**A. GRANT WHITNEY**  
Belk Stores, Inc.  
308 E. Fifth Street  
Charlotte, N. C.

**LON VARNADORE**  
Weyerhaeuser Timber Company  
Tacoma Building  
Tacoma, Washington

# CHAPTER DIRECTORY

## AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC

### ATLANTA CHAPTER

*Meetings*—Fourth Wednesday of each month  
*President*—William H. Quay, Jr., The Coca-Cola Company, Atlanta  
*Vice-Pres.*—Kenneth Black, Jr., Georgia State College of Business Administration, Division of Insurance, Atlanta  
*Secy.-Treas.*—W. Ray Walker  
 Citizens & Southern National Bank  
 P. O. Box 4899  
 Atlanta 2, Georgia

### CENTRAL ILLINOIS CHAPTER

*Meetings*—2nd Thursday each month, Bloomington, Illinois. Dinner 6:30 P.M.  
*President*—A. A. Baker, Funk Brothers Seed Company, Bloomington  
*Vice-Pres.*—Carl J. Hutchins, Caterpillar Tractor Company, Peoria  
*Secy.-Treas.*—John W. Needham  
 Caterpillar Tractor Company  
 Peoria 8, Illinois

### CENTRAL MASSACHUSETTS CHAPTER

*Meetings*—Check with Secretary  
*President*—George M. Betterley, Betterley Associates, Worcester, Mass.  
*Vice Pres.*—Henry C. Merriam, The Vellumoid Company, Worcester, Mass.  
*Treasurer*—Laurence T. Kane, Riley Stoker Corp., Worcester, Mass.  
*Secretary*—Harold F. Keyes  
 Brown & Sharpe Mfg. Co.  
 235 Promenade Street  
 Providence, Rhode Island

### CENTRAL OHIO CHAPTER

*Meetings*—3rd Wednesday of each month, except July and August. 6:30 P.M. dinner.  
*Vice-Pres.*—Sam Garwood, The Columbus & Southern Ohio Electric Co., Columbus  
*Treasurer*—E. I. Evans, E. I. Evans & Company, Columbus  
*Secretary*—C. B. Rogers  
 The Peoples Broadcasting Corporation  
 246 North High Street  
 Columbus 15, Ohio

### CHICAGO CHAPTER

*Meetings*—3rd Thursday of each month, September through May. Dinner 6:00 P.M.  
*President*—E. R. Zimmerman, American Bakeries Company, Chicago  
*Vice-Pres.*—Frank A. O'Shaughnessy, Container Corporation of America, Chicago  
*Treasurer*—Geoffrey J. Burns, Continental Illinois National Bank and Trust Company, Chicago  
*Secretary*—Miss Ann Auerbach  
 Goldblatt Brothers, Inc.  
 333 South State Street  
 Chicago, Illinois

### CINCINNATI AREA INSURANCE MANAGERS

*Meetings*—1st Wednesday each month except July and August. Luncheon 12 Noon  
*President*—A. J. Haberer, The Procter & Gamble Company, Cincinnati  
*Vice-Pres.*—H. J. Fjord, The Western & Southern Life Insurance Co., Cincinnati  
*Treasurer*—R. F. Hoeweler, Acme-Newport Steel Co., Newport, Ky.  
*Asst. Treas.*—W. J. Hancock, Armco Steel Corp., Middletown, Ohio  
*Secretary*—P. K. Dykes  
 The Ohio River Company  
 P.O. Box 1460  
 Cincinnati 1, Ohio

### CONNECTICUT VALLEY CHAPTER

*Meetings*—2nd Thursday of each month, Luncheon  
*President*—Darrell Ames, Eastern States Farmers' Exchange, Inc., West Springfield, Mass.  
*Vice-Pres.*—Hervey Chevette, Seovill Manufacturing Company, Waterbury, Conn.  
*Treasurer*—David L. Benson, Whitney Chain Company, Hartford, Conn.  
*Secretary*—Annetta Merlina  
 City of Hartford  
 Hartford, Conn.

### DALLAS-FORT WORTH AREA CHAPTER

*Meetings*—3rd Thursday, each month. Luncheon 12:00 Noon  
*President*—D. H. Mackaman, Campbell, Taggart Associated Bakeries, Inc., Dallas  
*Vice-Pres.*—Raymond C. Harrison, American Petrofina, Inc., Dallas  
*Treasurer*—Murray Saunders, Gifford-Hill & Company, Dallas  
*Secretary*—Miss Annetta M. Johnson  
 The Murray Company of Texas, Inc.  
 330 Canton Street  
 Dallas, Texas

### DELAWARE VALLEY CHAPTER

*Meetings*—3rd Monday each month. Dinner 6:30 P.M.  
*President*—Charles R. Garton, Atlantic City Electric Company, Atlantic City, N. J.  
*Vice-Pres.*—David D. Day, American Viscose Corporation, Philadelphia, Pa.  
*Treasurer*—Chester H. Drummond, Campbell Soup Company, Camden, N. J.  
*Asst. Treas.*—J. Joseph Bonanomi, The Budd Company, Philadelphia  
*Asst. Secy.*—John Carr, Penn Fruit Company, Philadelphia, Pa.  
*Secretary*—Milton H. Shaw  
 Kaiser Metal Products, Inc.  
 Bristol, Pa.

### INSURANCE BUYERS ASSOCIATION OF DETROIT

*Meetings*—3rd Wednesday each month. Dinner 6:00 P. M.  
*President*—F. L. Kiernan, Michigan Consolidated Gas Company, Detroit  
*Vice-Pres.*—E. D. Damon, Parke Davis & Company, Detroit  
*Treasurer*—C. J. McAdams, Bulldog Electric Products Company, Detroit  
*Secretary*—W. H. Siegel  
 Detroit Steel Corporation  
 P.O. Box 4308 Porter Station  
 Detroit 9, Michigan

### HOUSTON AREA INSURANCE BUYERS ASSOCIATION

*Meetings*—2nd Wednesday each month. Luncheon, 11:30 A.M.  
*President*—G. L. Foley, Humble Oil Refining Company, Houston  
*Vice-Pres.*—Wm. A. Holcomb, Jr., Transcontinental Gas Pipeline Corp., Houston  
*Treasurer*—Raymond O. Horn, Quintana Petroleum Corporation, Houston  
*Secretary*—George O. Spencer  
 Trunkline Gas Company  
 P. O. Box 1642  
 Houston 1, Texas



# CHAPTER DIRECTORY

## AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC

### MARYLAND CHAPTER

*Meetings*—3rd Thursday each month. Dinner 6:30 P.M.; Sept.-June  
*President*—Jesse F. Little, Mercantile-Safe Deposit & Trust Company, Baltimore  
*Vice-Pres.*—B. L. Beninghove, Maryland Shipbuilding & Drydock Company, Baltimore  
*Secy.-Treas.*—Miss Dorothy L. Graf  
 L. Greif & Bros., Inc.  
 401 Homeland Avenue  
 Baltimore 12, Maryland

### MINNESOTA CHAPTER

*Meetings*—4th Tuesday of each month. Dinner 6:30 P.M.  
*President*—Robert S. Johnsen, St. Paul Terminal Warehouse Company, St. Paul, Minn.  
*Vice-Pres.*—Clyde Thompson, International Milling Company, Minneapolis, Minn.  
*Secy.-Treas.*—M. Scott Rhodes,  
 Owatonna Canning Company  
 P. O. Box 88  
 Owatonna, Minn.

### MONTREAL INSURANCE BUYERS ASSOCIATION

*Meetings*—3rd Thursday October through May. Luncheon, 12 Noon.  
*President*—J. G. Harper, Northern Electric Company, Limited, Montreal.  
*Vice-Pres.*—H. H. Cowan, Steinberg's Limited, Montreal.  
*Secy.-Treas.*—Glen Buchanan  
 The Shawinigan Water & Power Company  
 600 Dorchester St. West  
 Montreal, Canada

### NEW YORK CHAPTER

*Meetings*—4th Thursday each month, except July and August. Luncheon 12:30 P.M.  
*President*—Frank Hornby, Jr., U. S. Industries, Inc., New York  
*1st Vice-Pres.*—Wm. S. Burkett, American Machine & Foundry Company, Brooklyn, N. Y.  
*2nd Vice-Pres.*—Robert B. Schellerup, Union Bab-Camp Paper Company, New York  
*Treasurer*—James S. Southwick, Ethyl Corporation, New York  
*Secretary*—Don W. Berry  
 The Borden Company  
 350 Madison Avenue  
 New York 17, N. Y.

### NORTHERN CALIFORNIA CHAPTER

*Meetings*—3rd Thursday of each month. Dinner 6:00 P.M.  
*President*—R. A. Westran, Kaiser Aluminum & Chemical Corporation, Oakland  
*Vice-Pres.*—H. L. Hilleary, Standard Oil Company of California, San Francisco  
*Treasurer*—E. A. Smith, Lando Products, Inc., Sausalito, California  
*Secretary*—D. F. Hodges  
 Crocker-Anglo National Bank  
 1 Sansome Street  
 San Francisco, Calif.

### OREGON CHAPTER

*Meetings*—1st Wednesday of each month. Dinner, 6:00 P.M.  
*President*—L. H. Forsythe, U. S. National Bank, Portland  
*Vice-Pres.*—R. H. Horning, Mail-Well Envelope Company, Portland  
*Secy.-Treas.*—R. E. Marcy  
 First National Bank of Portland  
 S. W. Fifth and Stark Streets  
 Portland, Oregon

### INSURANCE BUYERS ASSOCIATION OF PITTSBURGH

*Meetings*—Alternate Tuesdays: September through May  
*President*—Ralph W. Low, Westinghouse Electric Corporation, Pittsburgh  
*Vice-Pres.*—John R. Kountz, The Rust Engineering Company, Pittsburgh  
*Vice-Pres.*—Gerald O. Griffin, Dravo Corporation, Pittsburgh  
*Treasurer*—Leo F. Kane, The Equitable Gas Company, Pittsburgh  
*Asst. Secy.*—Robert J. Morton, Blaw-Knox Company, Pittsburgh  
*Secretary*—Thomas G. Noel,  
 The Rust Engineering Company  
 930 Fort Duquesne Boulevard  
 Pittsburgh 22, Pa.

### SOUTHERN CALIFORNIA CHAPTER

*Meetings*—3rd Wednesday of each month. Dinner 6:30 P.M.  
*President*—Waldo W. Powers, Signal Oil and Gas Company, Los Angeles  
*Vice-Pres.*—M. J. Bowman, American Potash & Chemical Corp., Los Angeles  
*Treasurer*—Norman Horney, Consolidated Rock Products Co., Vernon  
*Secretary*—Steve Culibrk  
 Citizens National Bank  
 457 South Spring Street  
 Los Angeles, Calif.

### VIRGINIA-CAROLINA CHAPTER

*Meetings*—Please check with Secretary for place and date.  
*President*—Stewart B. Foulke, Jr., Virginia Electric & Power Company, Richmond, Va.  
*Vice-Pres.*—B. H. McGhee, Noland Company, Inc., Newport News, Va.  
*Treasurer*—G. T. Newman, Smith-Douglass Co., Inc., Norfolk, Va.  
*Secretary*—T. A. Newby  
 Commonwealth of Virginia  
 Department of Highways  
 Richmond, Virginia

### WASHINGTON CHAPTER

*Meetings*—Second Tuesday each month. Dinner 6:30 P.M.  
*President*—Harold Roslund, New England Fish Company, Inc., Seattle  
*Vice-Pres.*—Don Rader, Pacific American Fisheries, Inc., Bellingham  
*Treasurer*—Robert N. Knight, Seattle-First National Bank, Seattle  
*Secretary*—E. B. Paris  
 Boeing Airplane Company  
 P.O. Box 3707  
 Seattle 24, Washington

# Roster Of Member Companies

## AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC.

### ATLANTA

American Art Metals Company  
Atlanta Newspapers, Inc.  
Atlanta Transit System, Inc.  
Citizens & Southern National Bank  
The Coca-Cola Company  
Delta Air Lines, Inc.  
Georgia Highway Express, Inc.  
Georgia Power Company  
H. W. Lay Company, Inc.  
Lockheed Aircraft Corporation  
(Georgia Division)  
McDonough Construction Company  
Mead-Atlanta Paper Company  
National Manufacture & Stores  
Corporation  
Rich's Incorporated  
Southern Airways Company  
Southern Airways, Inc.  
Curtiss 1000, Inc.  
Southern Nitrogen Company, Inc.

### CENTRAL ILLINOIS

Caterpillar Tractor Company  
Central Illinois Light Company  
Commercial National Bank of Peoria  
Funk Brothers Seed Company  
Honeggers' & Company, Inc.  
Illinois Power Company  
S. D. Jarvis Company  
Keystone Steel & Wire Company  
Laesch Dairy Company  
LeTourneau-Westinghouse Company  
Mississippi Valley Structural Steel Co.  
Mueller Company  
Princess Peggy, Inc.  
J. L. Simmons Company, Inc.  
A. E. Staley Manufacturing Co.  
Steak & Shake

### CENTRAL MASSACHUSETTS

Bay State Abrasive Products Co.  
Betterley Associates  
Brown & Sharpe Manufacturing Co.  
Draper Corporation  
Fitchburg Paper Company  
Grinnell Corporation  
Massachusetts Mutual Life Insurance  
Company (*Secretary's Office-Risk  
Management*)  
Morgan Construction Co.  
Norton Company  
Riley Stoker Corp.  
Simonds Saw & Steel Co.  
State Mutual Life Assurance Company  
of America (*Property and Liability  
Insurance Branch*)  
The Vellumoid Company  
Worcester Telegram Publishing Co.  
Wyman-Gordon Company

### CENTRAL OHIO

Anchor Hocking Glass Corporation  
Clark Industries  
Columbus & Southern Ohio Electric Co.  
Columbus Coated Fabrics Corporation  
E. I. Evans & Company  
The Jaeger Machine Company  
The Jeffrey Manufacturing Company  
F. & R. Lazarus & Company  
The Mead Corporation  
North American Aviation, Inc.  
(Columbus Division)

Ormet Corporation  
Ranco, Incorporated  
The Peoples Broadcasting Corporation  
The Weston Paper & Manufacturing Co.

### CHICAGO

Aldens Inc.  
American Bakeries Company  
American Marietta Company  
Automatic Electric Company  
Baxter Laboratories, Inc.  
Bell and Howell Company  
Bowman Dairy Company  
Brunswick-Balke-Collender Co.  
Bureau of Safety  
Butler Brothers  
A. M. Castle & Company  
Calumet & Hecla, Inc.  
The Celotex Corporation  
Central Fibre Products Company  
Chemetron Corporation  
City Products Corporation  
Collins Radio Company  
Continental Ill. Nat'l Bank & Trust Co.  
of Chicago  
Container Corporation of America  
Consolidated Foods Corporation  
Crane Company  
Cuneo Press, Inc.  
Curtiss Candy Co.  
Helene Curtis Industries, Inc.  
Encyclopedia Britannica, Inc.  
R. K. Donnelley & Sons Co.  
The Reuben H. Donnelley Corp.  
Fairbanks, Morse & Company  
Fansteel Metallurgical Corporation  
Lloyd A. Fry Roofing Company  
General American Transportation  
Company  
General Dynamics Corporation  
(Liquid Carbonic Division)  
General Finance Corporation  
Goldblatt Bros., Inc.  
Graver Tank & Manufacturing Co., Inc.  
Edward Hines Lumber Company  
Inland Steel Company  
International Minerals & Chemical Corp.  
Jewel Tea Co., Inc.  
S. C. Johnson & Son, Inc.  
Joslyn Manufacturing & Supply  
Corporation  
Kawneer Company  
Link-Belt Company  
Magnaflux Corporation  
Marshall Field & Company  
Masonite Corporation  
Material Service Corporation  
The Meyercord Co.  
W. H. Miner, Inc.  
Montgomery Ward & Company  
Motorola, Inc.  
National Standard Company  
National Tea Company  
Natural Gas Pipeline of America  
Northern Trust Company  
Northwestern University  
Pabst Brewing Company  
Passavant Hospital  
The Peoples Gas Light & Coke Co.  
Pullman Standard Car  
Manufacturing Co.  
Pure Oil Company  
Quaker Oats Company  
John Sexton & Company  
Simoniz Company

A. O. Smith Corporation  
Spiegel, Inc.  
Standard Oil Co. (Indiana)  
Charles A. Stevens & Company  
Stewart-Warner Corporation  
The Tribune Company  
United Air Lines, Inc.  
United States Gypsum Company  
Victor Chemical Works  
Walgreen Drug Stores  
The Willett Company  
Wisconsin Public Service Corporation

### CINCINNATI

Acme-Newport Steel Company  
American Laundry Machinery Co.  
Armco Steel Corporation  
G. A. Avril Company  
The Baldwin Piano Company  
Bardes Corporation  
Bavarian Brewing Co., Inc.  
Burger Brewing Company  
Burkhardt's  
R. K. LeBlond Machine Tool Company  
The Chatfield Paper Corporation  
The Cincinnati Enquirer  
Cincinnati Gas & Electric Co.  
Cincinnati & Suburban Bell Telephone  
Co.  
The Dawson-Evans Construction Co.  
The Drackett Company  
The Duriron Company, Inc.  
The Eagle-Picher Company  
Emery Industries, Inc.  
Federated Department Stores, Inc.  
The Fifth Third Union Trust Company  
The Foy Paint Company  
The Globe Wernicke Company  
Robert Gould Company  
The Hamilton Foundry & Machine Co.  
The Andrew Jergens Company  
The E. Kahn's Sons Company  
The Kroger Company  
The Lunkenheimer Company  
The H. H. Meyer Packing Company  
The Mosler Safe Company  
The Nivison Weiskopf Company  
E. J. Nolan Corporation  
The Ohio River Company  
The Procter & Gamble Company  
The Provident Savings Bank & Trust Co.  
Queen City Chevrolet Company  
Shepard Warner Elevator Company  
The Sorg Paper Co.  
Toms River-Cincinnati Chemical Corp.  
Trailmobile Inc.  
United States Shoe Corporation  
The U. S. Printing & Lithograph Co.  
The Western & Southern Life Insurance  
Co. (*Tax, Real Estate-General Insurance  
Counsel*)  
The George Wiedemann Brewing Co.

### CONNECTICUT VALLEY

Connecticut Light & Power Co.  
Eastern States Farmers' Exchange, Inc.  
The Kaman Aircraft Corporation  
Moore Drop Forging Co.  
The New Britain Machine Co.  
Scovill Manufacturing Company  
The United States Time Corporation  
Whitney Chain Company

### DALLAS-FT. WORTH

American Petrofina, Inc.

Austin Bridge Company  
 Bell Helicopter Corporation  
 The British-American Oil Producing Company  
 Campbell Taggart Associated Bakeries, Inc.  
 Carrier-Bock Company  
 Chance Vought Aircraft, Inc.  
 Champlin Oil & Refining Co.  
 Coca-Cola Bottling Company  
 Comet Rice Mills  
 Community Public Service Co.  
 Dallas Power & Light Co.  
 Dearborn Stove Company  
 Dresser Industries, Inc.  
 The Frito Company  
 General American Oil Co. of Texas  
 Gifford-Hill & Co., Inc.  
 Intercontinental Mfg. Company, Inc.  
 Lone Star Gas Company  
 Lone Star Steel Company  
 Magnolia Petroleum Company  
 Morton Foods, Inc.  
 The Murray Company of Texas, Inc.  
 The Schoellkopf Company  
 Olmsted-Kirk Company  
 Otis Engineering Corp.  
 Dr. Pepper Company  
 Republic National Bank of Dallas  
 Southern Union Gas Company  
 Sun Oil Company  
 Temco Aircraft Corporation  
 Texas Instruments, Inc.  
 The Times Herald Printing Company  
 The T X L Oil Corporation

#### DELAWARE VALLEY

American Viscose Corp.  
 Atlantic City Electric Company  
 Atlas Powder Company  
 The Atlantic Refining Company  
 Bestwall Gypsum Company  
 The Budd Company  
 Campbell Soup Company  
 Catalytic Construction Company  
 Certain-teed Products Corporation  
 Delaware Power & Light Company  
 E. I. duPont de Nemours & Co., Inc.  
 The Electric Storage Battery Company  
 Fidelity Mutual Life Insurance Co.  
 Fidelity-Philadelphia Trust Company  
 Food Fair Stores, Inc.  
 General Coal Company  
 General Public Warehouse Company, Inc.  
 I-T-E Circuit Breaker Company  
 Keasbey & Mattison Company  
 Kaiser Metal Products, Inc.  
 Lavino Shipping Company  
 Levitt & Sons  
 Martin Century Farms, Inc.  
 Mutual Rendering Company, Inc.  
 Penn Fruit Company  
 Penn Mutual Life Insurance Co.  
 Philadelphia Electric Company  
 Philadelphia Gas Works  
 The Philadelphia Saving Fund Society  
 Publicker Industries  
 Radio Corporation of America  
 S.K.F. Industries, Inc.  
 Smith, Kline & French Laboratories  
 South Chester Tube Company  
 United Engineers & Constructors, Inc.  
 The United Gas Improvement Company

The National Insurance Buyer — May 1959

#### DETROIT

Allen Industries, Inc.  
 American Blower Corporation  
 American Motors Corporation  
 Full Dog Electric Products Company  
 Burroughs Corporation  
 Chrysler Corporation  
 Darin & Armstrong, Inc.  
 Davidson Brothers  
 Detroit Gasket & Manufacturing Company  
 Detroit Harvester Company  
 The Detroit Edison Company  
 Detroit Steel Corporation  
 Evans Products Company  
 Ex-Cell-O Corporation  
 Fenestra, Inc.  
 Ford Motor Company  
 Freuhauf Trailer Company  
 Gar Wood Industries, Inc.  
 General Motors Corporation  
 Goddard & Goddard Company  
 The J. L. Hudson Company  
 Hygrade Food Products Corporation  
 The Jam Handy Organization, Inc.  
 Kelsey-Hayes Wheel Company  
 King-Seeley Corporation  
 S. S. Kresge Company  
 Lyon Incorporated  
 McCord Corporation  
 McLouth Steel Corporation  
 Michigan Bell Telephone Co.  
 Michigan Consolidated Gas Company  
 Michigan Wisconsin Pipe Line Co.  
 Micromatic Hone Corporation  
 The Murray Corporation of America  
 National Bank of Detroit  
 Parke Davis & Company  
 Pfeiffer Brewing Company  
 R. L. Polk & Company  
 Square D Company  
 The Udylite Corporation  
 The Upjohn Company  
 The Valeron Corporation  
 Verners Ginger Ale, Inc.  
 Woodall Industries, Inc.  
 Wyandotte Chemicals Corporation

#### HOUSTON

Ada Oil Company  
 American Warehouses, Inc.  
 Anderson Clayton & Company  
 Bank of the Southwest  
 Brown and Root, Inc.  
 Cameron Iron Works, Inc.  
 Converted Rice, Inc.  
 The Dow Chemical Co.  
 Eastern States Petroleum Co. Inc.  
 Fish Services Corporation  
 Halliburton Oil Well Cementing Co.  
 Homco  
 Humble Oil & Refining Company  
 Jefferson Lake Sulphur Company  
 Johnston Testers  
 Perforating Guns Atlas Corp.  
 Petro-Tex Chemical Corporation  
 Quintana Petroleum Corporation  
 J. Ray McDermott & Company  
 National Lead Company, Baroid Division

River Brand Rice Mills, Inc.  
 River Oaks Corporation  
 Schlumberger Well Surveying Corp.  
 Sheffield Steel Division of Armco Steel Corporation  
 A. O. Smith Corporation of Texas  
 Tennessee Gas Transmission Co.  
 Texas Manufacturing Association  
 Transcontinental Gas Pipe Line Corp.  
 Trunkline Gas Company  
 Tuboscope Company  
 Union Carbide Chemical Company  
 J. Weingarten, Inc.  
 Win Hawkins Drilling Company

#### MARYLAND

Army & Air Force Exchange Service  
 The Arundel Corporation  
 Baltimore Contractors, Inc.  
 Cafritz Construction Co.  
 Catalyst Research Corporation  
 City Baking Company  
 W. T. Cowan, Inc.  
 Crown Central Petroleum Corp.  
 The Davison Chemical Corporation  
 Ellicott Machinery Corporation  
 L. Greif & Brother, Inc.  
 Gunther Brewing Co., Inc.  
 The Hecht Company  
 Hutzler Brothers Co.  
 Insurance Buyers' Council  
 Harry T. Campbell Sons Corp.  
 Maryland Shipbuilding & Drydock Co.  
 McCormick & Co., Inc.  
 Mercantile Safe Deposit & Trust Co.  
 Merchants Terminal Corp.  
 The National Brewing Co.  
 Office of Naval Material  
 Department of the Navy  
 Schmidt Baking Co., Inc.

#### MINNESOTA

Andersen Corporation  
 Cargill, Incorporated  
 College of St. Thomas  
 Coca-Cola Bottling Co. of Minnesota  
 The Creamette Co.  
 Curtis 1000, Inc.  
 Coast to Coast Stores—  
 Central Organization, Inc.  
 The Economics Laboratories, Inc.  
 Flour City Brush Company  
 Federal Cartridge Corporation  
 First National Bank of Minneapolis  
 Fitger Brewing Company  
 Fullerton Lumber Company  
 Gamble-Skogmo, Inc.  
 M. A. Gedney Company  
 General Mills, Inc.  
 Green Giant Company  
 Theo. Hamm Brewing Company  
 Geo. A. Hormel & Co.  
 Hubbard Milling Company  
 Industrial Aggregate Co.  
 International Milling Company  
 Josten Manufacturing Company  
 Landers-Norblom-Christenson Co.  
 Maple Island, Inc.  
 Mayo Clinic

Maney Bros. Mill & Elevator Co.  
 Minneapolis Brewing Company  
 Minneapolis-Honeywell Regulator Co.  
 Minneapolis Star & Tribune Company  
 Minnesota Mining & Manufacturing Co.  
 Minnesota & Ontario Paper Co.  
 Munsingwear, Inc.  
 Nash-Finch Company  
 The B. F. Nelson Mfg. Co.  
 Northern Ordnance Inc.  
 Northrup-King & Company  
 Northwest Airlines, Inc.  
 W. S. Nott Company  
 Owatonna Canning Company  
 Owatonna Tool Co.  
 M. F. Patterson Dental Supply Co. of  
 Minnesota  
 F. H. Peavey & Company  
 The Pillsbury Company  
 Red Owl Stores, Inc.  
 Rochester Dairy Cooperative  
 St. Paul Terminal Warehouse Co.  
 J. L. Shiely Company  
 Super Valu Stores, Inc.  
 Toro Manufacturing Company  
 Waldorf Paper Products Company  
 Western Oil and Fuel Company  
 Wood Conversion Company

#### MONTREAL

Aluminum Company of Canada, Ltd.  
 Associated Textiles of Canada Limited  
 Atlas Asbestos Company Limited  
 Belding Corticelli Limited  
 The Bell Telephone Co. of Canada  
 The Bristol Aeroplane Co. of Canada  
 (1956) Limited  
 Canada Cement Company Limited  
 Canadair Limited  
 Canadian Celanese Ltd.  
 Canadian Industries Limited  
 Canadian International Paper Company  
 Canadian Marconi Company  
 Canadian Pratt & Whitney Aircraft  
 Company, Ltd.  
 Canadian Salt Co., Ltd.  
 Consolidated Paper Corporation Limited  
 Distillers Corporation—  
 Seagrams Limited  
 Dominion Bridge Company Limited  
 Dominion Engineering Works Limited  
 Dominion Glass Company Limited  
 Dominion Textile Company Limited  
 Du Pont Co. of Canada (1956) Ltd.  
 The Foundation Co. of Canada Limited  
 Henry Birks & Sons Ltd.  
 Howard Smith Paper Mills Limited  
 Imperial Tobacco Co. of Canada Limited  
 Northern Electric Company, Limited  
 Molsons Brewery Limited  
 Price Brothers & Company, Ltd.  
 Quebec Power Company  
 Rolls-Royce of Canada, Limited  
 Shawinigan Chemicals Limited  
 The Shawinigan Water and Power  
 Company  
 Standard Chemical Limited  
 Steinberg's Limited  
 Thor Mills Limited

#### NEW YORK

ACF Industries, Inc.  
 The Aeroflex Corporation  
 Alexander's Department Stores, Inc.

Allied Chemical Corporation  
 Allied Maintenance Corporation  
 Allied Stores Corporation  
 Amerace Corporation  
 American Airlines  
 American Broadcasting-Paramount  
 Theatres, Inc.  
 American Bank Note Co.  
 American Can Company  
 American Chicle Company  
 American Cyanamid Company  
 American District Telegraph Co., Inc.  
 American Home Products Corp.  
 American Machine & Foundry Co.  
 American Management Association  
 American Metal Climax, Inc.  
 American News Co., Inc.  
 The American Oil Company  
 Anaconda Company  
 Anaconda Wire & Cable Company  
 Arabian American Oil Company  
 Associated Dry Goods Corp.  
 Avco Manufacturing Corporation  
 Avon Products, Inc.  
 The Babcock & Wilcox Company  
 Belk Stores, Inc.  
 Bell Telephone Laboratories  
 Berkshire-Hathaway, Inc.  
 Best Foods Division of Corn Products  
 Company  
 Bigelow-Sanford Carpet Co., Inc.  
 Blades & Macaulay  
 Sidney Blumenthal & Co., Inc.  
 The Borden Company  
 Bristol Myers Company  
 Burlington Industries, Inc.  
 The California Oil Company  
 Canada Dry Corporation  
 John J. Casale, Inc.  
 Celanese Corporation of America  
 The Chase Manhattan Bank  
 The Chemstrand Corporation  
 Chesapeake Industries, Inc.  
 Cities Service Petroleum, Inc.  
 City Stores Mercantile Company, Inc.  
 Chilean Nitrate Sales Corporation  
 Clairol Incorporated  
 Coats & Clark's Sales Corporation  
 The Coca-Cola Export Corporation  
 Colgate-Palmolive Company  
 Columbian Carbon Company  
 Combustion Engineering, Inc.  
 Commercial Solvents Corporation  
 Commonwealth Services, Inc.  
 Congoleum-Nairn, Inc.  
 Consolidated Cigar Corp.  
 Continental Can Company, Inc.  
 Continental Grain Company  
 Corporate Advisors, Inc.  
 Curtiss-Wright Corporation  
 Daystrom, Inc.  
 Diesel Vessel Operators, Inc.  
 Doubleday & Company, Inc.  
 Dugan Brothers, Inc.  
 Dow, Jones & Co., Inc.  
 Ebasco Services Incorporated  
 Esso Research and Engineering Company  
 Thomas A. Edison, Inc.  
 El Paso Natural Gas Company  
 Electrolux Corporation  
 Esso Standard Oil Company  
 Ethyl Corporation

Federal Paper Board Co., Inc.  
 The First National City Bank of  
 New York  
 The Firth Carpet Company  
 The Flintkote Company, Inc.  
 The F. & M. Schaefer Brewing Company  
 Foster-Wheeler Corp.  
 Robert Gair Co., Inc.—Division  
 of Continental Can Company, Inc.  
 Geigy Chemical Corporation  
 General Aniline & Film Corporation  
 General Baking Company  
 General Dynamics Corporation  
 General Electric Company  
 General Foods Corp.  
 Gibbs & Hill, Inc.  
 W. R. Grace & Company  
 Great Lakes Carbon Corporation  
 Guaranty Trust Company  
 S. Gumpert Co., Inc.  
 M. & M's Candies, A Division of  
 Food Manufacturers, Inc.  
 Hess, Inc.  
 Hewitt-Robins, Inc.  
 Hudson Pulp & Paper Corp.  
 Imperial Color Chemical & Paper Corp.  
 International Business Machines Corp.  
 Interchemical Corp.  
 Johns-Manville Corp.  
 Johnson & Johnson  
 A. & M. Karagheusian, Inc.  
 Kennecott Copper Corporation  
 Keuffel & Esser Company  
 Knickerbocker Construction Co.  
 Lerner Stores Corp.  
 Lever Brothers Co.  
 Liggett & Myers Tobacco Co.  
 Lily-Tulip Cup Corp.  
 Luckenbach Steamship Company, Inc.  
 Thomas J. Lipton, Inc.  
 The Lummus Company  
 R. H. Macy & Co., Inc.  
 McKesson & Robbins, Incorporated  
 Manufacturers Trust Co.  
 Merritt-Chapman & Scott Corp.  
 Metal & Thermit Corp.  
 Philip Morris Incorporated  
 Muzak Corporation  
 National Biscuit Company  
 National Distillers and Chemical Corp.  
 National Starch Products, Inc.  
 The Nestle Company  
 J. J. Newberry Company  
 New York Herald-Tribune  
 Olin Mathieson Chemical Corporation  
 Otis Elevator Company  
 Pan American World Airways, Inc.  
 Pan American International Oil Co.  
 Panaminas Incorporated  
 S. B. Penick & Co.  
 Chas. Pfizer & Co., Inc.  
 Pitney-Bowes, Inc.  
 The Port of New York Authority  
 Refined Syrups & Sugars, Inc.  
 Reliance Manufacturing Company  
 Republic Aviation Corporation  
 Rheem Manufacturing Company  
 Seagram-Distillers Corp.  
 Shein's Express  
 The Sperry & Hutchinson Company



Sperry Rand Corporation  
 Sperry Gyroscope Co.  
 Standard Oil Company (New Jersey)  
 J. P. Stevens & Co., Inc.  
 Sun Chemical Corporation  
 Sunshine Biscuits, Inc.  
 Sylvania Electric Products, Inc.  
 Union Bag-Camp Paper Corporation  
 Union Carbide Corporation  
 United Aircraft Corp.  
 United Hospital Fund of New York  
 United Merchants & Manufacturers, Inc.  
 U. S. Industries, Inc.  
 United Parcel General Service Company  
 United States Plywood Corporation  
 United Whelan Corporation  
 Universal Pictures Co., Inc.  
 Vick Chemical Company  
 West Chemical Products, Inc.  
 Western Electric Company  
 Westrex Corporation  
 West Virginia Pulp & Paper Company  
 Witco Chemical Company  
 Worthington Corporation  
 Yale Transport Corporation  
 Ziff-Davis Publishing Company

#### **NORTHERN CALIFORNIA**

American Trust Company  
 Guy F. Atkinson Company  
 Bank of America NT & SA  
 Bank of California, N.A.  
 Bechtel Corporation  
 California & Hawaiian Sugar Refining Corp. Ltd.  
 California Packing Corporation  
 California State Chamber of Commerce  
 California State Dental Association  
 Coast Service Company  
 Consolidated Freightways, Inc.  
 The Crocker-Anglo National Bank  
 Crown Zellerbach Corp.  
 Cutter Laboratories  
 Department of Finance — State of California  
 The Robert Dollar Company  
 East Bay Municipal Utility District  
 The Emporium Capwell Company  
 Fibreboard Products, Inc.  
 The First Western Bank & Trust Company  
 Foremost Dairies, Inc.  
 Honolulu Oil Corporation  
 Kaiser Companies  
 Kaiser Engineers  
 Kern County Land Co.  
 Lando Products, Inc.  
 Lenkurt Electric Company, Inc.  
 Leslie Salt Company  
 Long Stores  
 Matson Navigation Company  
 Mund, McLaurin & Company  
 Pacific Gas & Electric Company  
 Pacific Guano Co.  
 The Pacific Telephone & Telegraph Company  
 Pacific Intermountain Express Company  
 Permanente Cement Company  
 Port of Oakland  
 Roos Bros., Inc.

Rudiger-Lang Company  
 Safeway Stores, Inc.  
 Southern Pacific Company  
 Spreckels Sugar Company  
 Standard Oil Company of California  
 Swinerton & Walberg Company  
 Transocean Air Lines  
 The Union Ice Company  
 Union Lumber Company  
 United Air Lines, Inc.  
 University of California  
 Utah Construction Company  
 Wells Fargo Bank  
 The Western Pacific Railroad Company  
 Wilbur-Ellis Company

#### **OREGON**

The Bank of California, N.A.  
 Blitz Weinhard Company  
 Columbia River Packers Association, Inc.  
 The First National Bank of Portland  
 Georgia-Pacific Corporation  
 Hyster Company  
 Industrial Air Products Co.  
 Jantzen, Inc.  
 Mail-Well Envelope Co.  
 Fred Meyer, Inc.  
 Oregon Pulp & Paper Company  
 Portland Gas & Coke Company  
 Robert Brothers  
 Terminal Ice & Cold Storage Company  
 The United States National Bank  
 West Coast Lumbermen's Association  
 White Stag Manufacturing Co.  
 Willamette Iron & Steel Company  
 Zidell Machinery & Supply Co.

#### **PITTSBURGH**

Allegheny Ludlum Steel Corporation  
 Aluminum Company of America  
 Blaw-Knox Company  
 John F. Casey Company  
 Consolidation Coal Company, Inc.  
 Crucible Steel Company of America  
 Dravo Corporation  
 Duquesne Light Company  
 Eastern Gas & Fuel Associates  
 Edgewater Steel Company  
 Eichleay Corporation  
 Elliott Company  
 Equipment and Supplies, Inc.  
 Equitable Gas Company  
 Fidelity Trust Company  
 Fort Pitt Bridge Works  
 Frick & Lindsay Company  
 Gulf Oil Corporation  
 Harbison-Walker Refractories Company  
 E. J. Heinz Company  
 Koppers Company, Inc.  
 Mellon National Bank & Trust Company  
 Mine Safety Appliances Company  
 G. C. Murphy Company  
 Natco Corporation  
 The National Steel Corporation  
 The National Supply Company  
 The National-U.S. Radiator Corporation  
 Neville Chemical Company  
 Pennsylvania-Transformer Division of

McGraw-Edison Company  
 Pittsburgh Coke & Chemical Company  
 Pittsburgh Forgings Company  
 Pittsburgh Plate Glass Company  
 Pittsburgh Screw & Bolt Corporation  
 Pittsburgh Steel Company  
 Pittsburgh & West Virginia Railway Company  
 H. H. Robertson Company  
 Rockwell Manufacturing Company  
 Rockwell-Standard Corporation  
 The Rust Engineering Company  
 Schaefer Equipment Company  
 Shenango Furnace Company  
 United Engineering & Foundry Company  
 Watson-Standard Company  
 Weirton Steel Company  
 West Penn Power Company  
 Westinghouse Air Brake Company  
 Westinghouse Electric Corporation  
 Youngstown Sheet and Tube Company

#### **SOUTHERN CALIFORNIA**

American Potash & Chemical Corp.  
 Aerojet General Corporation  
 Arrowhead and Puritas Water Inc.  
 Baker Oil Tools, Inc.  
 Bekins Van & Storage Company  
 Belridge Oil Company  
 Blue Diamond Corporation  
 C. F. Braun & Co.  
 California Bank  
 Carnation Company  
 Citizens National Bank  
 Consolidated Rock Products Co.  
 Consolidated Western Steel Division of U. S. Steel Corporation  
 The Copley Press, Inc.  
 Cyprus Mines Corporation  
 Douglas Aircraft Company, Inc.  
 Ehrhart & Associates, Inc.  
 The Flintkote Company (Pioneer Division)  
 The Fluor Corporation, Ltd.  
 Forest Lawn Company  
 The Garrett Corporation  
 Garrett and Company, Inc.  
 Convair — A Division of General Dynamics Corporation  
 Gladding, McBean & Company  
 Global Van Lines, Inc.  
 Graham Brothers, Inc.  
 The Alfred Hart Company  
 Hunt Foods & Industries, Inc.  
 Hughes Aircraft Company  
 Kaiser Steel Corporation  
 Loew's Incorporated  
 Latchford Glass Company  
 Lockheed Aircraft Corp.  
 North American Aviation, Inc.  
 Northrop Corporation  
 The McCulloch Corporation  
 Marquardt Aircraft Co.  
 The May Company  
 Metropolitan Water District of Southern California  
 Monolith Portland Cement Company  
 Owl Enterprises  
 Pacific Airmotive Corporation  
 Ramo-Woolridge Division  
 Thompson Ramo Woolridge, Inc.  
 Tidewater Oil Company

Griffith Company  
 Richfield Oil Corporation  
 Rohr Aircraft Corporation  
 San Gabriel Valley Water Co.  
 Security First National Bank  
 Signal Oil & Gas Company  
 Southern California Edison Company  
 Southern California Gas Co.  
 Space Technology Laboratories, Inc.  
 Sparkletts Drinking Water Corporation  
 Sun Lumber Company  
 Superior Oil Company  
 Title Insurance and Trust Company  
 Union Bank  
 Union Oil Company of California  
 United States Borax & Chemical Corp.  
 Von's Grocery Company  
 M. H. Whittier Company

#### **VIRGINIA-CAROLINA**

American Enka Corporation  
 Belk Stores, Inc.  
 Burlington Industries, Inc.  
 The Chesapeake Corporation of Virginia  
 Farmers Cooperative Exchanges, Inc.  
 Larus & Brother Company, Inc.  
 David M. Lea & Co., Inc.  
 Miller & Rhoads, Inc.  
 National Fruit Product Company, Inc.  
 Noland Company, Inc.  
 Overnite Transportation Company  
 RF & P Railroad Company  
 Reynolds Metals Company  
 Smith-Douglass Company  
 Southern States Cooperative  
 Union Bag-Camp Paper Company  
 Virginia Department of Highways  
 Virginia Electric & Power Company

#### **WASHINGTON**

Boeing Airplane Company  
 General Construction Company  
 Halferty Canneries, Inc.  
 Ketchikan Pulp Company  
 New England Fish Company  
 Pacific American Fisheries, Inc.  
 Pacific Car and Foundry Company  
 Pacific Gamble Robinson Co.  
 Peoples National Bank of Washington  
 Pioneer Sand & Gravel Company  
 Puget Sound Bridge and Dredging Company  
 Puget Sound Power & Light Company  
 Seattle First National Bank  
 Simpson Timber Company  
 University Properties, Inc.  
 West Coast Airlines, Inc.  
 Weyerhaeuser Timber Company  
 Whiz Fish Products Company  
 Howard S. Wright Construction Company

#### **NON-CHAPTER MEMBERS**

##### **Alabama**

The Ingalls Iron Works Company, Inc.  
 Morrison Cafeterias Consolidated Inc.  
 Vulcan Materials Company

##### **Arizona**

Hughes Aircraft Company

##### **Arkansas**

The Crossett Company

##### **Colorado**

Colorado Fuel & Iron Corp.

##### **Florida**

Mercury Motor Express, Inc.  
 Ryder System, Inc.

##### **Georgia**

West Point Manufacturing Company

##### **Illinois**

Barber-Greene Company  
 Deere & Company  
 Granite City Steel Company  
 Sundstrand Machine Tool Company

##### **Indiana**

Insurance Audit & Inspection Co.  
 Studebaker-Packard Corporation

##### **Iowa**

The Rath Packing Company

##### **Kansas**

Boeing Airplane Company  
 (Wichita Division)  
 The Carey Salt Company

##### **Louisiana**

The California Company  
 Standard Fruit and Steamship Company  
 United Gas Corporation

##### **Maine**

Central Maine Power Company  
 John H. Magee

##### **Massachusetts**

Boston Housing Authority  
 C. H. Sprague & Son Company  
 Godfrey L. Cabot, Inc.  
 Howard D. Johnson Company

##### **Michigan**

Gerber's Baby Foods

##### **Missouri**

Anheuser-Busch, Inc.  
 Gaylord Container Corporation  
 Division of Crown Zellerbach Corp.  
 Panhandle Eastern Pipe Line Co.  
 Laclede Steel Company  
 May Department Stores Company  
 Monsanto Chemical Company  
 Standard Milling Company  
 The Seven-Up Company  
 Union Electric Company

##### **New York**

Carrier Corporation  
 Columbus McKinnon Chain Corp.  
 Cooperative Grange League Federation  
 Exchange, Inc.  
 Corning Glass Works  
 Mohasco Industries, Inc.  
 New York State Electric & Gas Corp.  
 Rochester Gas & Electric Corp.  
 Will & Baumer Candle Company

##### **New Jersey**

Merck & Company Inc.

##### **Ohio**

The American Crayon Company  
 Addressograph-Multigraph Corporation  
 E. W. Bliss Company  
 Campus Sweater & Sportswear Co.  
 Carling Brewing Company  
 Cleveland Electric Illuminating Company  
 Cleveland Pneumatic Industries, Inc.  
 Firestone Tire & Rubber Company  
 The General Tire & Rubber Company  
 The Goodyear Tire & Rubber Company  
 The Halle Brothers Company  
 The Hoover Company  
 Hupp Corporation  
 The North American Coal Corp.  
 The Ohio Oil Company  
 The Parker Hannifin Corporation  
 Rubbermaid Incorporated

##### **Oklahoma**

Oklahoma Gas & Electric Company  
 Phillips Petroleum Company  
 Sunray Mid-Continent Oil Company

##### **Pennsylvania**

Aircraft-Marine Products, Inc.  
 Titan Metal Manufacturing Co.

##### **Rhode Island**

Gorham Manufacturing Company

##### **Tennessee**

Hardwick Stove Company  
 Rich's Incorporated

##### **Virginia**

Newport News Shipbuilding &  
 Dry Dock Co.

##### **Vermont**

Central Vermont Public Service Corp.  
 The National Life Insurance Co. (*Property & Liability Insurance Dept.*)

##### **Washington, D.C.**

National Lumber Manufacturers  
 Association

##### **West Virginia**

Pennsylvania Glass Sand Corp.  
 Weirton Steel Company

##### **Wisconsin**

A. Geo. Schulz Company  
 Chain Belt Company  
 Clark Oil & Refining Corporation  
 Fred Rueping Leather Company  
 Harnischfeger Corporation  
 The Kurth Malting Co.  
 Nordberg Manufacturing Co.  
 Schuster Construction Company

##### **CANADA**

British Columbia Electric Co. Ltd.  
 Legrade Inc.  
 Western Canada Breweries Limited

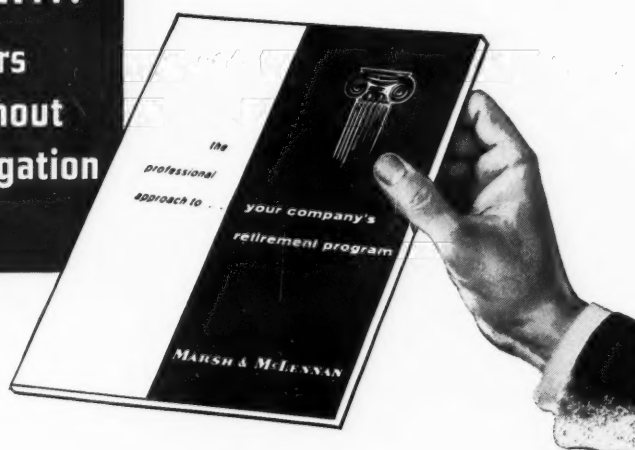
##### **FRANCE (Paris)**

Standard Oil Company of New Jersey

##### **VENEZUELA (Caracas)**

Mr. William Cole

**Now...**  
**yours**  
**without**  
**obligation**



## **Answers... to executive questions on company retirement problems**

*Getting at the basic problems... three steps to success...  
selecting the right program... keeping it up to date...  
effective administration... getting the most for your dollar...  
the changing pattern... modernizing your present plan.*

Whether your company is large or small, whether the problem involves a new retirement benefit plan or an established program, this brochure will aid you.

It defines basic problems in employee retirement planning and sets forth proved procedures in arriving at the most effective benefits on a realistic cost basis.

The function of Marsh & McLennan's professional staff of actuaries is explained fully. These experts bring to you and your company the experience gained in serving other companies in virtually every field of American enterprise.

If you will write us on your company letterhead we will be pleased to send you a copy.

**MARSH & McLENNAN**  
INCORPORATED

*Insurance Brokers*

CONSULTING ACTUARIES • AVERAGE ADJUSTERS

Chicago   New York   San Francisco   Minneapolis   Detroit   Los Angeles   Boston  
Pittsburgh   Seattle   St. Louis   Indianapolis   St. Paul   Portland   Buffalo   Duluth  
Atlanta   New Orleans   Tulsa   Milwaukee   Phoenix   Cleveland   Norfolk   Charleston  
Oakland   Montreal   Toronto   Vancouver   Calgary   Havana   Caracas   London





**Wherever, whatever the risk . . .**

the man from AIU has a solution  
to your *insurance* needs outside the U.S.A.



**AMERICAN INTERNATIONAL UNDERWRITERS**

Boston • Chicago • Dallas • Denver • Houston • Los Angeles • Miami • New Orleans  
New York • Portland • San Francisco • Seattle • Tulsa • Washington

